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# **Daily Report—**

## ***Supplement***

# **East Europe**

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# East Europe SUPPLEMENT

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**Croatia Directly Involved in War in Republic**  
**93BA1344D Ljubljana DELO in Slovene 28 Jul 93 p 6**

[Article by Kresimir Meler: "The Minister Accuses the President"]

[Text] *Croatia's involvement in the Bosnia-Herzegovina war is provable; the Bosnia-Herzegovina defense minister, the Croat Bozo Rajic, is accusing President Izetbegovic of ordering aggression against his own state.*

From our associate—"Senseless and suicidal steps by individuals, including the political leadership of this state, have pushed the threatened and suffering peoples to the very brink of disaster, from which they will probably never be able to escape again. All of this is actually a precisely-thought-out and well-staged presentation, the purpose of which is to help the enemy as much as possible. Time will show who is behind all of it. On the basis of the facts and documents that we have, we have determined that the attack against our people was carried out by this state's Army, and the attack itself was fully approved by the state president."

Do you know whose words these are? Perhaps one of you will say that they were uttered by Blagoje Adzic somewhat more than two years ago, i.e., in June 1991. Later you also heard them from Zivota Panic, Ratko Mladic, and the rebel Serbian leaders in the republic of Serbian Krajina. All those who bet on one of the above answers, however, would be partly wrong, since this serious accusation against the legal president of a state that belongs to the UN and the legal Army of this independent state, because of their attempts to establish at least partial control over the territory of their own state, was uttered by Bozo Rajic, the defense minister of that same state, Bosnia-Herzegovina, who at the same time is also a high-level HDZ [Croatian Democratic Community] official in Bosnia-Herzegovina and the so-called Croatian Community of Herceg-Bosna. This is only one of the arguments now already seriously indicating that Croatia's role in Bosnia-Herzegovina only differs in trifles (fewer war crimes and less destruction) from the role of the "Serbian chetniks and Serbian communists" in Croatia. All of this is proceeding in accordance with Katz's Law, according to which "individuals and peoples will act rationally only when they have exhausted all other possibilities," and Parker's Law on political statements, which says that "the truth of any story does not have anything to do with its credibility, and vice versa."

Just like the Serbian or Yugoslav leadership, the ruling party in Croatia is also becoming terribly nervous that someone might mention its involvement in the war events in Bosnia-Herzegovina. To start with, they declared the Croatian Community of Herceg-Bosna and abolished the jurisdiction of the state government, which Mate Boban's mentor, Croatian President Franjo Tudjman, explained with the words, "The Croats in Bosnia-Herzegovina will never be just citizens; instead, they want to be a constituent people." With that same explanation, the Serbs in Croatia and Bosnia-Herzegovina

have also created their own "state within a state." Immediately afterward the war started in Croatia, and then in Bosnia-Herzegovina. At the same time, with the proclamation of the Croatian Community of Herceg-Bosna, the symbols started to change.

Just as the Serbs in Croatia adopted the flag of the Republic of Serbia for their flag, and the old Serbian coat of arms, the official flag in the Croatian Community of Herceg-Bosna has also become the national flag. The coat of arms is a checkerboard without the crown, and it also appears on documents and vehicles' license plates, as well as on border crossings in the middle of Bosnia-Herzegovina. Following Milosevic's model, the establishment of a state within a state was followed by one more step: the establishment of the HVO [Croatian Defense Council] armed formation. In the beginning, most of these forces consisted of soldiers in the National Guard Corps, and later the Croatian Army. After carrying out his task, one of the heads of the Croatian intelligence service died in the middle of Herzegovina. The death notices published by a certain Croatian ministry are telling. They state that he "gave his life on the altar of his homeland," but did not add to this that this altar of his homeland was in another country, in which there was allegedly not a single member of the Croatian armed forces or police.

In addition to him, many young men died on Bosnia-Herzegovina battlefields; one of them, who was wounded on that battlefield and still has not recovered, has been drafted into the Army again by the Croatian Defense Ministry, even though the young man has doctor's certificates from which it is apparent that he should remain in the hospital. In time, enough local fighters were assembled, and consequently the Croatian Army units mostly withdrew. There remained several advisers, but individual members of the Croatian general staff and political leadership are still traveling through those areas, as if Herzegovina and some other part of Bosnia-Herzegovina have been part of Croatia for a long time. Of the significant names, let us mention here Major General Slobodan Praljko, Gojko Susak, and we could also list several ministers from other ministries.

At the same time, a story is circulating about areas in western Herzegovina where people are being given Croatian citizenship merely on the basis of the fact that they are of Croatian nationality, even though they still have Bosnia-Herzegovina citizenship. Such "certificates of citizenship" are then also confirmed by stamps from the Croatian Interior Ministry. If we also add to this the "obligation of Croatia to use all means possible to protect the Croats in Bosnia-Herzegovina," and the fact that the legal authorities of Bosnia-Herzegovina are being denied the right to control the entire territory (at least the unoccupied territory), it all assumes a considerably clearer form. It all became crystal clear when the republic's defense minister, as we stated in the beginning, accused his commander in chief of aggression against his own country! Only Milosevic could rival this. To make things even more unpleasant, neither Mate

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Boban, a signer of the latest peace agreement (who is at the same time president of the Bosnia-Herzegovina HDZ), nor Croatian President Dr. Franjo Tudjman disassociated himself from the agreement.

In that situation, Tudjman's statement that "not one soldier from Croatia is on the territory of Bosnia-Herzegovina" should be received with the same degree of reservation as Milosevic's claims about the "noninvolvement of the Yugoslav Army in the war in Bosnia-Herzegovina and Croatia." The fact is that the Croatian Army, i.e., the Republic of Croatia, is offering logistical and general assistance to the HVO forces, even by delivering weapons and military equipment to them, and violating the embargo, just as Croatia's eastern neighbor and its helpers are doing. The fact that they are thereby helping their own people is not of fundamental importance. Through this activity, they are further encouraging the creation of a "state within a state," which Croatia is otherwise firmly condemning—if something like that happens on its own territory.

If Franjo Tudjman continues that way, nothing good awaits him in Croatia. The world more or less does not care who is encouraging the raging battles in Bosnia-Herzegovina, and an additional argument is certainly the unexplained war crimes against the Muslim population in Ahlic and several other villages, which were certainly carried out by the Croats. Also unexplained is the

activity of the Croatian intelligence service in Bosnia-Herzegovina. In addition to the fact that in all likelihood they helped to plan the murder of the "unpleasant" Blazo Kraljevic, there are, in fact, several indications that they also had their fingers in several other events that ended tragically for some people, primarily for numerous units of the Bosnia-Herzegovina Army, the Muslim population, and also some HVO units, who, "for strategic reasons," were not sent certain important information in time, or else were deliberately sent disinformation. With that kind of conduct, Croatia certainly cannot ensure itself a better reputation in the world.

The Bosnia-Herzegovina Army is ethnically considerably more heterogeneous than the Croatian Army or the HVO. Otherwise, aren't people talking just about permission to import weapons for the Bosnia-Herzegovina Army, and not also for the HVO and especially for Croatia? All of this casts a rather bad light on Croatia's role in the conflicts in Bosnia-Herzegovina. Since the sweetest thing comes at the end, we must certainly also mention the public admission by Mate Boban that Croatia and the HDZ are directly involved in the war in Bosnia-Herzegovina. Boban, in fact, asked, "Why didn't the Croatian opposition help the Croats in Bosnia with weapons and money, as Dr. Tudjman and the HDZ did?" Perhaps because it was aware that in that case it would be acting just like Serbia, which is helping the Serbian people in Bosnia-Herzegovina.

### Role of British Intelligence in Conflict

93BA1349A Zagreb DANAS in Serbo-Croatian  
23 Jul 93 pp 5-7

[Article by Marko Barisic: "With Mission at Headquarters, Too"]

*[Text] The first massacres in the Muslim-Croat fighting were committed by units commanded by British mercenaries, and British journalists broadcast the first footage of victims of the massacres.*

*"The HVO [Croat Defense Council] forces have surrendered in Kakanj, which is good news for us. Hadzihasanovic said that those Croats need not be worried," said the second secretary at the British Embassy in Zagreb, Doug Houston, in a secret report to the Foreign Office.*

Norry Phillips, the British mercenary (from the report in our last issue) spent five months at the headquarters of the Croatian Armed Forces in Zagreb. In terms of status, he was not the exception, but rather only one in a series of foreign legionnaires, who because of their skill in training special units, have earned the confidence of a certain circle of high-ranking Croatian officers. At that time, one year ago, there was a real crush of foreign mercenaries. Most of them were British, but there were also Frenchmen and Dutchmen. At the same time, following the mass expulsions of Muslims from eastern Bosnia, there was an intensification of the work of foreign humanitarian organizations, which opened up their branches in Croatia, primarily in Zagreb. The majority of these people were concerned with helping the expelled population survive, but others besides them came as well under the guise of doing this same sort of work, and it has been known for some time that they are members of various Arab militant organizations.

Thus, in July of last year, there was, among other things, a meeting in Zagreb of members of Hezbollah, the pro-Iranian militant organization. Members of that organization living in Zagreb, Hassan Haidar Dzabom and Radwan Khatounom, who are Lebanese citizens, hosted a large group of British citizens of Arab origin, and some of them subsequently left for Split, from where tried to cross into territory in Bosnia-Herzegovina under HVO control by various means of transportation. Some did not succeed, but the majority did, and did so with the help of a proven method—bribery. And when they "squeaked" especially loudly, British mercenaries or Britons who were involved with humanitarian organizations would appear to mediate their passage. At the time, this was not that strange since there were still no signs of a possible Muslim-Croat conflict. It was thought that every new individual would contribute to the struggle against the Serb aggressor.

Particularly prominent in the humanitarian missions in Bosnia-Herzegovina—especially lately, since the Muslim attacks on Croats in central Bosnia have intensified—is the second secretary at the British Embassy in Zagreb,

Doug Houston. He spends a lot of time in central Bosnia, where British peacekeeping units are deployed (in Vitez), helping displaced civilians, both Croats and Muslims. Frequently travelling along the Split-Vitez route, Houston has gotten to know a considerable number of HVO commanders, who have thanked him for his concern with the refugees. However, they have been surprised by his reports, which he has regularly sent from his trips by way of the embassy in Zagreb to the Overseas Development Administration (ODA) of the British Foreign Office. Because of the ferocity of the Muslim campaigns and their knowledge of the deployment of Croat forces (which resulted in a blow to the weakest point of Croat defense in central Bosnia), the HVO forces have begun to question the neutrality of the British peacekeeping units, and have begun to check all reports being broadcast from this base.

### Mission of Secretary Houston

Doug Houston reported from Vitez during the first week of June that "Bosnia-Herzegovina forces have set out and it is expected that they will occupy the entire valley from Travnik to Busovaca." He supported his assumption by noting that the Bosnia-Herzegovina Army had already captured Travnik and most of Vitez and that it was advancing further along the main means of communication, adding that, unfortunately, it was conducting ethnic cleansing. Houston is a professional, and did not comment on the events. HVO officials were disturbed by the fact that not one report from the British UNPROFOR [UN Protection Force] base in Vitez mentioned the intention of these forces, which is to try to do something to save civilians if they cannot prevent the Muslim offensive through military force. Instead, Doug Houston knows that the Muslim goal is to capture the ammunition factory in Vitez (the arms factory in Novi Travnik has long since been in their hands), but the only thing feared is that "the Croats will mine the roads as they retreat, and we want to keep them from doing that." In fact, the British UNPROFOR battalion succeeded in doing just that. The Croats did not mine the roads while withdrawing civilians and military personnel from Travnik in the direction of Vitez, at the urging of the "blue helmets" who promised that they would stand between the two armies.

The fighting in central Bosnia continued, and forces from the Bosnia-Herzegovina Army were able to continue their advance along unmined roads. Because of their enormous numerical superiority, the Muslims have already captured Fojnica, and Bugojno is next in line during the next few days, while Kakanj and Kraljeva Sutjeska have already been captured. Houston reported the following to his boss: "The HVO forces have surrendered in Kakanj, which is good news for us. Hadzihasanovic said that those Croats need not be worried." Enver Hadzihasanovic is the commander of the Zenica Corps of the Bosnia-Herzegovina Army, and UNPROFOR can verify his attitude toward Croats by looking at Rudnik Prison in Zenica.

The second secretary at the British Embassy reported that the mojahedin were not honoring the latest ceasefire with the Croats, and Houston was able to confirm that personally because the commander of one of the units of mojahedin that was prominent in the massacres was a Briton named Rose.

### Generating War

Thus, the British war story in Bosnia-Herzegovina has assumed an official tone as well. After the mercenaries, business people, and various humanitarians, official representatives of the British Government, have also joined the process of generating war in Bosnia-Herzegovina, in the person of the second secretary at the British Embassy in Zagreb. "The Croats have surrendered in Kakanj and that is good for us" is not the stance of a neutral observer and humanitarian worker, especially given the fact that the British "blue helmets" kept the Croats from mining the road upon their withdrawal.

In order to protect its interests in the Balkan region, British policy has availed itself of unacceptable means. Through its political activity and the theory, from the very outset, that this is not a case of aggression, but rather a civil war, through the current intensive interest in sanctions against Croatia and especially through its active participation in generating war through its mercenaries, humanitarians, and so-called business people, Great Britain has in fact intervened in the war in a way peculiar to that country. This is confirmed every day by its reports from the front. One need only look at the choice of reports that the BBC broadcasts in order to see the lack of logic. Most of the reports relate to Mostar and territories to the south of that city, where there has not even been any fighting lately, while there is scarcely any mention of central Bosnia and the cities that are burning. The cities of central Bosnia are mentioned only when captured by the Muslims, but even that is presented simply as a fact.

There is, however, a difference between second secretary Doug Houston, who was the British intelligence agent in Bosnia-Herzegovina, and British mercenary Norry Phillips: Each is responsible for his own part of the job. For now, unfortunately, they are successful.

[Box, p 6]

### Slobodan Praljak: Edit Your Own Newspaper

After we discovered that Norry Phillips spent five months with the Ministry of Defense of the Republic of Croatia and after we learned from employees with that ministry that they could provide no further details on

Phillips's stay at the ministry without the permission of Gen. Slobodan Praljak, we did manage in the 11th hour, right before this issue was going to press, to reach Gen. Praljak by telephone at HTV [Croatian Television] in the office of editor Obrad Kosovac, prior to his appearance on the show "Image to Image."

Asked directly whether Norry Phillips had worked for the Ministry of Defense for five months and with what sort of legitimization he had joined the Ministry, the general responded that he would rather not discuss the matter, but he did confirm that he knew Phillips.

Asked whether officials at the Ministry check up on people who stay there, Gen. Praljak responded, "Who would check up on all that?" adding that many foreigners passed through the Ministry, not only Britons, but also Frenchmen and others. When we insisted that he say something more specific about this, given the fact that we consider this matter very serious for all of us, the general abruptly responded, "Edit your own newspaper," and hung up. Thus, we as journalists have fulfilled our professional duty, because it seems to us that anything else goes beyond the framework of the journalistic mission.

Before going to press, we received an unconfirmed report from the Ministry of Defense that Gen. Praljak had asked to be relieved of all duties in the Croatian Armed Forces.

[Box, p 6]

### English Smuggled Arms

According to THE SUNDAY TIMES, the English firm Epicon is the center of attention in a special investigation by a UN commission, based on the suspicion that it violated the embargo on supplying arms to states in the territory of the former Yugoslavia. Allegedly, arms were purchased for 65 million pounds in Austria, Portugal, and certain Eastern European countries, which were then shipped to Croatia and Bosnia-Herzegovina by sea. In so doing, use was made of false shipping declarations and documents, drawn up at Epicon, which is registered in London. The shipments included all kinds of arms—pistols, automatic rifles, bazookas, ammunition.... The documents on board the ships said that their "destination is Bolivia."

The special UN investigating commission has determined that it was also possible to acquire from the London firm passports from every possible country—forged, of course—diplomatic documents, credentials, boating and driver's licenses, etc.

\* Olga Havel on Her Life as President's Wife  
93CH0820A Prague PRACE in Czech 10 Jul 93 p 13

[Interview with Olga Havel, wife of Vaclav Havel, president of the Czech Republic, by Eva Kunova; place and date not given: "A Life Full of Ups and Downs"]

[Text] *"It can be seen that whiskers are not everything," stated Mrs. Olga Havel with a smile after looking through a set of photographs of men who look more or less like her husband and which we published within the framework of PRACE's "Big Contest for Doubles of Our Political Representatives." While she admitted the possibility that actual doubles exist, she says she never met a second Vaclav Havel in her life, despite the fact that she has known her husband since she was 20 years old.*

[Kunova] If you were celebrating your 20th birthday and someone had foretold that your date of birth would be listed in documentation reviews under the slogan: Olga Havel, public official, wife of the CR [Czech Republic] president—what would you have said at that time?

[Olga Havel] I would probably have laughed, but later, after Vaclav and I had been together for some time, I would not smile so much because with him there was never any shortage of surprises. Life with him is a life full of ups and downs. Even if it never occurred to me that he would be president and that I would be his wife.

[Kunova] How do you feel about Olga Havel, the public official?

[Olga Havel] I always felt responsibility for what was happening; it was more a matter of a person not having the appetite to involve themselves in some kind of event under Communism. But because we were able to criticize Communism for 40 years, we must now prove that we are, at the very least, able to try to involve ourselves.

[Kunova] What did you actually want in your twenties?

[Olga Havel] I was really unable to give that much thought. I had to work to support myself from the time I was 15. But I thought that I would do a lot of traveling, which is something that did not come about until the last three years. And I regret that because I always felt that I would travel with only a toothbrush, only lightly, and not carrying several suits or even a hat, which I had to have, for example, on the occasion of our official visit in Sweden.

[Kunova] Which countries attracted you?

[Olga Havel] Those that were far removed...India, Egypt, China. I am fond of ancient Egyptian art, China fascinated me at the time ancient Chinese poetry represented by Li Po and others was beginning to be translated here. After seeing the documentary film about the tour to China by the Vit Nejedly Artistic Troupe, I said to myself that this is a wonderful country. Today, I probably no longer have such notions.

[Kunova] At that time you met your future husband....

[Olga Havel] We knew each other as friends for three years before we began going together. Unlike other young men of his age, I admired his depth of thinking, his verses. So that a valorization of his mental values was the primary aspect. We were married after eight years in 1964, and it was a very modest wedding; there were only two witnesses, Jan Grosman and Libor Fara. Unfortunately, neither of them is living today. In those days, there were so-called meatless days, so that we had to go to the Restaurant Moskva in Prague, which was the only one that was serving meat. Vaclav and I then went on leave, and we did not tell our friends about the wedding until later.

[Kunova] What did you dream of as two people who were entering marital bliss?

[Olga Havel] To tell the truth, I never had any expectations of marriage—neither money nor a career. For me, it is a matter of uniting two people who understand each other.

[Kunova] There is much that unites two such people. Last, but not least, it is even the place where they experience the good and the bad—in other words, their apartment. Will you leave your apartment on the Rasin Embankment?

[Olga Havel] This is the second time we have left it. Perhaps people do not know that we lived here in a common household with Vaclav's brother, Ivan, who owns the apartment. So that we had a relatively small amount of room to pursue the life which we are now leading. And apart from that we knew that the building would be renovated. By the time of the velvet revolution, only the electricity had been successfully redone. There is still no plumbing, no gas, the windows do not close properly, and the roof leaked during the recent heavy rains. We needed to find another, bigger apartment long ago.

[Kunova] Have you selected something already?

[Olga Havel] We had found a place in Dejvice, but the municipal authorities refused to sell it to us. I am not aware of the precise reasons. I do know that people in the Hanspaulka quarter were asking us how this was possible. They felt that it was peculiar, and so did we, but that is how things ended up. We are trying to find something else, which is truly complicated. Under today's gold-fever conditions, people do not know how much they should ask for their houses, and we have no intention of supporting any kind of speculation.

[Kunova] At present, you are living in the presidential cottage in the Royal Gardens of Prague Castle. Is the atmosphere of the past years not still surviving in its walls?

[Olga Havel] I believe that it has already gone. A person can make a home anywhere. We have our books and our things. I do not even mind living in a hotel. Even though I may only be there for a few nights, I always strive to create a cozy environment. I believe that I am capable of creating a pretty area out of anything. Together with

Vaclav, however, we are most attracted to Hradecek, where we stayed frequently over the past 20 years.

[Kunova] Previously, you were looking at Prague Castle from Rasin Embankment; now you are looking at it from the Royal Gardens. At such a moment, what came most frequently to your mind in the past and what comes frequently to your mind today?

[Olga Havel] We could not see Prague Castle from the window of our apartment. This view offers itself to Ivan who has his windows fashioned in such a way that everything looks as if it is a framed picture of Hradcany Castle. But when looking at Hradcany Castle, I occasionally wondered whether we are not overly protective of it. When we lived for 300 years under Austria-Hungary, when we did not defend ourselves against the Germans prior to the occupation, when we did not even defend ourselves in 1968—wasn't this caused by the fact that we were always afraid that they might destroy what the natives of Prague refer to as our "Hradcana"?

[Kunova] Don't you think that we should be more afraid today that somebody might simply buy the "Hradcana"?

[Olga Havel] I hope this will not happen and that the current gold fever will soon pass. But the area of Prague Castle is actually a city unto itself with room that should definitely be used somehow. But something else is, let's say, the area in close proximity to the Cathedral of Saint Vit. We would probably not want to see anything different take the place of the office of the president of the Czech Republic; by this, of course, we are thinking of all of us....

[Kunova] How is it to live constantly with "protection at your back"?

[Olga Havel] We all had to get used to that. Of course, from time to time, one of us would rebel; but then they realized that people in the "protective service" are paid for their services, and, if something were to happen to us, they would have great problems. A person finds that they must adapt to certain things. But it is not a question of someone guarding me or the ministers, what is at stake is that all of us should have a greater feeling of security in this country, that women should not be afraid to leave the theater on their own in the evening or leave a concert. Something should be done about that very quickly.

[Kunova] You make no secret of the fact that you do not exactly love the duties required of you as the wife of the president. Which of these duties is the least pleasant for you?

[Olga Havel] It cannot be said that they are unpleasant. I would say that I am sometimes overwhelmed by the feeling that I no longer have sufficient strength to perform them. For example, brief state visits are very difficult. Actually, the wife has no work to perform on those occasions, so that she is more or less only standing around and is perhaps even a little in the way. There is a special program for her, and, if the wife of the other official does not happen to be present at the time, protocol makes

life more complicated. But I take it like everything else in my life—namely, that it has happened, and I do not give it a whole lot of thought.

[Kunova] Doesn't it bother you that, in contrast with other women, other wives, you cannot talk about your problems with "an equal"? We have only one president....

[Olga Havel] Protocol not only applies to the head of state, but to all ministers and, understandably, even their wives. It is possible to speak with the wife of any minister about such topics such as how everything is sometimes more complicated, how we must pay attention to whether one should go to the left or to the right, etc. But I do not believe that this is such an interesting topic of conversation.

[Kunova] If you could talk with any one of the wives of a former president, which one would it be?

[Olga Havel] Certainly it would be interesting to talk with Mrs. Masaryk because to create a new state was probably immensely difficult for our first president. We very much liked the elegant Mrs. Benes. She suffered through a special fate when she returned with her husband after the war from their emigration and then the communists came. I would ask her about details which you cannot read in any biography, how things actually were. I would probably ask the wives of communists how they reconciled their working class feelings, for example, with the fact that they expelled people from their excessively large apartments and lived in them themselves?

[Kunova] You like to read. What book did you derive pleasure from in recent times?

[Olga Havel] I have read the biographies of Jacqueline Kennedy and Nancy Reagan, but I cannot say that they gave me pleasure. I more likely realized that it is extremely complicated to be the wife of a president in the United States. I would likely be a bit afraid. American journalists follow people who are publicly active far more. Sometimes they prove to be very evil and gloat over people's misfortunes. This is a characteristic which I do not like.

[Kunova] So our journalists, compared to the Americans, are still only gentle lambs?

[Olga Havel] I would have to wait longer for an evaluation.

[Kunova] Do you prefer the company of women or men?

[Olga Havel] I always divided people into those in whose company I like to be, those who are excellent company, and those who are not excellent company. Then, regardless of whether they are a man or a woman, I do not have to be with them.

[Kunova] But the Goodwill Committee, of which you are the chairperson, is governed by women.

[Olga Havel] The Administrative Council also has men; women work in the committee. I do not believe this is

abnormal. This is work involving a great deal of detail, and women have a feel for detail. And they are also more suited to care for those who are weaker. Even though I know several self-sacrificing men who are also able to do this. This is not a question of a weakness, but, on the contrary, a strength.

[Kunova] Apart from worries, what do you get out of being active in the endowment?

[Olga Havel] When, for example, we are visited by our mentally or physically handicapped sportsmen who have been participating in various Olympic events since the revolution and when they show us their medals, we rejoice with them. This is a nice feeling, and I believe that anyone who does not wish to see an institution for the handicapped in their neighborhood should visit such a facility to see all that can be done and how the handicapped can be helped by very simple methods, even without major financial burdens.

[Kunova] Do you believe that concepts such as charity, magnanimity, and tolerance will take hold in our society?

[Olga Havel] In the committee, for the most part, we meet with people who want to help and also do help. We believe that there are more good people who will accept the fact that to help people is nothing exclusive, that this a matter of course.

[Kunova] How do you see the future of the Goodwill Committee?

[Olga Havel] It would help us if a law on endowments were finally adopted. It is essential for clear rules to exist as to how to proceed so that people there are financial advantages for those who want to contribute to charities.

[Kunova] Mrs. Havel, do you already know how your husband intends to surprise you on the occasion of your birthday tomorrow?

[Olga Havel] I am curious because I was the one who had to buy gifts for the whole family for years. Vaclav never knows what he should give to whom, and I believe that he would be perplexed if he had to go to the florist and select flowers for me. Actually, he would not know which ones I like. He definitely most likely does not remember that I love yellow roses and possibly even daisies.... So this will be a real surprise.

[Kunova] And could you betray to us what you wish for?

[Olga Havel] That I could be somewhere in the summer where mushrooms grow and that they should actually grow. Of course, this is something I cannot have any influence over.

\* Ruml on Current Issues, Situation Within His Ministry  
93CH0809A Prague *LIDOVE NOVINY* in Czech  
9 Jul 93 p 8

[Interview with Jan Ruml, minister of the interior, by Vaclav Belohradsky, Jaromir Stetina, and Jan Pergler; place and date not given: "When I Get the Ax, I Shall Go Into Journalism"]

[Text] Jan Ruml was born on 5 March 1953 in Prague. Since 1972, he has worked as a stoker, dispatcher, woodcutter, and mechanic; and, in 1976, he learned to be a bookseller. From 1987 to 1990, he made his living as a hospital technician.

On 1 February 1977, he became a signatory of Charter 77, and since 1979 he has been member of the Committee for the Defense of the Unjustly Persecuted. In subsequent years he was an independent publicist, editor of a samizdat periodical, INFORMATION ON CHARTER 77, a cofounder of ORIGINALNI VIDEOZURNAL, and, finally, also a cofounder of the samizdat journal SPORT.

From 6 May 1981 to 22 March 1982, he was in custody, accused of subversive activities against the Republic.

Jan Ruml was also a cofounder of the daily LIDOVE NOVINY, a member of the provisional coordinating committee of the Movement for Civil Liberty, and, from November 1989, he worked in the Independent Press Center. From January to October 1990, he was the spokesman for Charter 77; from February to April 1990, he was editor in chief of the journal RESPEKT.

On 26 April 1990, he was named CSFR deputy minister of interior. From May until June 1990, he was at the same time director of the Office for the Protection of the Constitution And Democracy in the Ministry of Interior. In July 1990 he was named CSFR first deputy minister of interior and at the same time representative of the CSFR Government for refugee affairs. After the law on Federal Police Force [FPS] was passed, he was also named director of FPS. He resigned from that function in 1992, shortly before he joined the Civic Democratic Party [ODS]. In the 1992 elections as a candidate for ODS he was elected to the Chamber of Nations of the Federal Assembly. On 2 July he was named minister of interior of the Czech Republic.

[LIDOVE NOVINY] You said last week in Pardubice that LIDOVE NOVINY is not professionally produced and that it gravitates toward the politics of the Civic Movement. Does LIDOVE NOVINY really belong among the leftist press, in your opinion?

[Ruml] In Pardubice I was asked to explain my statement that I am ashamed of LIDOVE NOVINY. I do not remember that I ever said that. I tried to make clear what I said. I said that I did not know many good rightist newspapermen. I also said that a left-oriented publicist belongs in journalism. I consider LIDOVE NOVINY one of the few newspapers that do not foment discord in our society. It does not engage in what I hold against today's journalists; it does not sow distrust in this overly atomized

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society. Moreover, in my opinion it has not lost basic decency. On the other hand, it is true that I do not always find interesting reporting in it. That is what I tried to say. The newspapermen who were present chose what they needed out of it.

[LIDOVE NOVINY] You also criticized a possible association with foreign capital, with the Ringier Company, that is.

[Ruml] I spoke about that. I don't know the background. Unfortunately, LIDOVE NOVINY missed its opportunity when THE FINANCIAL TIMES was interested in it. At that time, we all had a terrible aversion to any kind of association.

[LIDOVE NOVINY] There are more partners with whom we are seriously negotiating, but let's talk about something else. You said that you read LIDOVE NOVINY every day. Did you find any article in it recently that held your interest?

[Ruml] A marvelous piece of reporting about the inputs into computer data bases has shaken the entire ministry, for example. Such work makes sense. It was obvious from the article that the author tried to get at the truth. It was very well done, and I appreciated that article. It was the first time, in fact, that I learned about the sale of data.

[LIDOVE NOVINY] We have the feeling that the difference between a postcommunist country and the countries of West Europe is that the machinery of state power lasts through several elections. Whereas ministers come and go, the machinery is the force that carries on. Here, however, a minister must be a creative individual who first has to design the operations within the machinery.

[Ruml] I observed this in Germany. There a government official stays for 30 years, and the system never changes. The minister of agriculture can become the minister of health because he is a political figure. Such a system leads to a certain superficial routine. We, however, are in a situation where we are constructing the various departments, and together we participate in the creation of the system. We must handle even the operational part because the staff is not yet functional. This naturally requires self-reflection, sorting the important and the unimportant, constantly pondering the meaning of the office as well as of one's own work. The immersion in politics is, therefore, far deeper here than in the West.

[LIDOVE NOVINY] Recently, Minister Lom had to step down. There is talk that your turn comes next. If you really have to step down, what do you intend to do?

[Ruml] When I get the ax, then I will certainly go into journalism. But I feel that for the time being I am not about to be axed.

[LIDOVE NOVINY] One of the affairs that was supposed to break your back concerned the travel exemptions for government officials. Recently you cancelled them; can you tell us why they were introduced in the first place?

[Ruml] I did not grant those exemptions; on the contrary, I reduced their number. They were granted by former Ministers Sacher, Langos, and Sokol, and there were several hundred of them. The moment I reduced them to 50 they began to receive publicity.

[LIDOVE NOVINY] But then you granted them also to the chairmen of the parliamentary parties. Allegedly that was under pressure from Mr. Benda.

[Ruml] Vaclav Benda really was here at the ministry and did ask me to grant the travel exemptions. I realized at that time that it would be a good thing to set up the exemptions in a way that would not bring about accusations that they were given only to government officials. Therefore, I also gave them to the chairmen of the parliamentary parties. A campaign against my person followed, and I felt isolated in it. All of a sudden, none of those eternal applicants for these exemptions wanted to help me. There were even those ministers who insisted that I was making it up when I claimed that they asked me for them. And so I struggled with that campaign for a while, but then all of a sudden I had enough. One day I cancelled them overnight. But I still have the inner conviction that there are some people who should be transported from place to place more quickly. Nevertheless, I cancelled the exemptions, and then something that I expected happened. The government and the Parliament are now asking me to grant the exemptions again. I decided that I will introduce them only if the government tells me to. But if they are granted again, then only to ministers and the chairman and deputy chairman of the Parliament. In urgent cases, those people will have the right to use a warning beacon on official trips.

[LIDOVE NOVINY] Don't you think that this exaggerated reaction is symptomatic of a kind of revulsion which Czechs feel at seeing somebody with special privileges?

[Ruml] I must admit that I succumbed to that. I really have had enough of constantly explaining that the exemptions are justified. In what you are talking about there is a kind of perversion of the slogan, "We are not like them." It is connected with the situation on today's political scene when the government is constantly being accused by the opposition of arrogance, lack of culture, undemocratic practices, and a tendency to exclusiveness.

[LIDOVE NOVINY] Why do you think the Ministry of Interior is the target of constant attacks?

[Ruml] The Ministry of Interior is always the focus of attention. We are dealing there with information from the suppression unit. In addition, we are trying to effect some changes. I believe that for an ossified structure which has been evolving for 40 years it is a very painful process. Some of the attacks against me are a reflection of these changes. Moreover, many new people are coming to the ministry who have not taken the route of a career official. They are put into high positions, and they often cannot psychologically handle the contact with power. They cannot adjust to their position, and then I am left with no other choice but to dismiss them. In most cases, they cannot

bear the psychological burden of their dismissal. And that leads to other kinds of situations. The people who were dismissed do not have inner discipline, and when they leave, they take their safe with them. Then they take its contents to the nearest newspaper in order to show that all the others are criminals and that they were dismissed unjustly. Another kind of affair concerns me personally. I have no sensitivity in selecting people, and, what is more, in critical situations I tend to act like a bull in a china shop. For example, the Velka Pardubicka affair could have been managed if I had not said anything about it. But I felt that the police intervention was too harsh. And I also did not know whether members of the SOS Animals were not potential terrorists. I began to flounder about, and the newspapers naturally sensed my uncertainty and immediately started a campaign against me.

[LIDOVE NOVINY] Is it difficult to staff the Ministry of Interior with new people?

[Ruml] The criteria for new people are very strict. On one hand, we require professional, experienced people; on the other hand, an unimpeachable past. Sometimes these are mutually exclusive requirements. It is very difficult to find people who come close to being the ideal type for a Ministry of Interior official. I give preference to an unimpeachable past.

[LIDOVE NOVINY] Two weeks ago, the government released half a billion korunas for the Ministry of Interior. However, in the analysis of the state of the Czech police force, you requested Kc1.2 billion for the police and Kc2.4 billion for the entire ministry. You said that you absolutely need the money. Does this mean that the government will give you still more money?

[Ruml] The government does not contemplate increasing the budget of the Ministry of Interior. I think that the half-billion korunas we got is the final amount for this year. I hope that we shall also get some money from the sale of properties of the former Federal Ministry of Interior in the border regions.

[LIDOVE NOVINY] Don't you think that in comparison with the budget of the Ministry of Defense the budget of the Ministry of Interior is disproportionately lower?

[Ruml] It is out of proportion. We made a comparison, and we calculated that we spend Kc60,000 for one policeman, whereas Kc11,000 is spent for one soldier. The soldier is twice as expensive as the policeman, and he is not in a war. In contrast, a policeman is in a war with crime every day.

[LIDOVE NOVINY] Are you the only one in the government to hold that view?

[Ruml] No, probably not. But I must truthfully admit that every minister has enormous financial problems in his department. And he does not want to ally himself with another minister in order that he might plead for him. Education is several billion short; there are shortages in agriculture and in health as well. Transportation needs Kc5

billion to repair locomotives and raise wages so that the engineers do not strike. Every minister is balanced on the very edge of survival because the budgets are very restricted.

[LIDOVE NOVINY] You said that you probably will not get any more money from the state budget this year. However, the installation of the Czech-Slovak border is being planned. Will there be enough money for it?

[Ruml] The Ministry of Finance set aside the money for the Slovak border a long time ago. It released about Kc240 million out of our investment resources as well as from its own investment resources. It will be enough for this year. But next year we have to contend with the fact that the regime on the state border will no longer be makeshift but standard. Therefore, money should be made available for constructing permanent structures. But everything depends on what the closing account of the state budget will look like.

[LIDOVE NOVINY] RUDE PRAVO recently wrote that barbed wire is now ready for use on the Slovak border. What will be the procedure for securing the border, anyway?

[Ruml] No, there will be no barbed wire on the state border with the Slovak Republic. The procedure on the Slovak border will be no different from the other borders of the Czech Republic. I consider Petr Uhl's article in RUDE PROVO confused. Technical means for securing the border are not under consideration at all—only a normal, standard border procedure.

[LIDOVE NOVINY] They why does the Slovak side keep rejecting the installation of a firm border?

[Ruml] Slovakia has somewhat different interests than the Czech Republic. Slovak politicians tried to make their citizens believe that the division of the state will have no effect on them. They did not realize, however, that the division will have its consequences. They kept repeating that everything will be as it was before. Now they do not want to admit to themselves that although the installation of border crossings will not place any restrictions on Slovak citizens, it will be felt psychologically. The second point is that Slovaks are trying to play a special political game with the common border. They assert that the Czech Republic wants to push Slovakia toward the East. They declare that we are the state which intends to divide Europe by a new iron curtain. And we can insist as loudly as we want that it is not true, that no agreements have to be cancelled and that the procedure on the border will not affect the citizens of the two republics. They can continue to cross the border freely with only a valid ID card. We only want to restrict access for foreigners, and that only to make them realize that they must come to our Republic legally through border crossings, where we shall inspect their documents. Simply, a system of control that every country in the world has. We are not in the same situation as Benelux; we are in the situation of a Central European country which now is a transit country and which in the future could become the target country for illegal immigrants from other countries. We must, therefore, take certain measures to reduce such immigration.

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[LIDOVE NOVINY] Is there any hope that the two republics will agree on a common procedure for establishing the border?

[Ruml] The Slovaks keep misinterpreting reality. Constantly they intentionally confuse the most basic agreements. An example is the recent statement by Prime Minister Meciar who said that Slovakia is willing to sign a readmission agreement with the Czech Republic on turning over refugees from other countries. But that agreement has already been in force for six months. They absolutely knowingly confuse themselves as well as their citizens. It only proves that negotiating with them is a complicated affair and with results somewhere in the distant future. We have always told the Slovak politicians that establishing the border will not push them to the east, but refusing the border will. There is no analogous situation in Europe. They are refusing to sign an agreement on border crossings, which is an unprecedent approach.

[LIDOVE NOVINY] Does it mean that the Czech Republic will take unilateral measures?

[Ruml] I oppose using the term unilateral measures because in question here are internal security measures of the Czech Republic, which are connected with the control of access to foreigners to our territory and have nothing to do with Slovakia. Whether the Czech Republic will introduce such measures must be decided by the government.

[LIDOVE NOVINY] We made the signing of a readmission agreement with Germany contingent on the existence of a functioning border with Slovakia. If no agreement is reached with Slovakia, could it happen that the iron curtain will be lowered by Germany?

[Ruml] Of course Germany can close the Czech border. A certain nervousness can be detected on Germany's part because the Czech Republic cannot, thanks to the nonexistence of a firm border with Slovakia, adopt systematic measures for handling immigration policy. The agreement with Germany has not been signed, and for the time being they cannot return the refugees to us. If we therefore fail to stop the flood of refugees from the East, they really could lower the iron curtain for a time. The numbers which they use as a basis are really alarming. During the first five months of this year, 136,000 foreigners asked for asylum in the FRG. The Germans say that 70 percent of them came through our territory.

[LIDOVE NOVINY] Can it be said that Slovakia does not want to accept certain consequences of independence?

[Ruml] Yes, in this context the reply of the Slovak minister of interior is startling. He recently told journalists that we cannot build facilities on the common border because ordinary people, who did not cause this division, should not suffer because of it. This statement fits precisely with the Slovak argument that the division of the federation was already planned in the Czech lands in 1990.

\* Moravian Leader on Autonomy Movement's Goals  
93CH0821A Prague RUDE PRAVO in Czech 7 Jul 93 p 9

[Interview with I. Drimal, chairman of the Moravian National Party, by Jan Trojan; place and date not given: "Moravian Statehood Does Not Mean the Disintegration of the Czech Republic"]

[Text] [Trojan] Some 4.3 million inhabitants live in Moravia, but, according to the 1991 census, only 1.36 million people in the former federation claimed Moravian nationality. Isn't that too few?

[Drimal] We do not consider this information to be persuasive. A whole lot of people confirmed to me that they would have claimed Moravian nationality had they found a column for Moravian nationality in the census documents. We estimate that approximately 3 million inhabitants of Moravia and Silesia would, under equal rights conditions, claim this nationality.

[Trojan] What is the actual difference, in your opinion, between a Moravian and a Czech?

[Drimal] I would not stress the difference. Czechs, Moravians, and Slovaks are closely related. I would tend to see a difference more in attitude. The imaginary prototype of a Moravian is seen as good-hearted, open, tolerant, and also good-humored almost to a fault. Let no one be angry at me, but Czechs are more into self-interest and are more self-centered.

[Trojan] But it is not possible to define a nation on the basis of general characteristics....

[Drimal] The Moravian National Party [MNP] has no intention of defining the Moravian people. I know that there is a worldwide tendency to respect a stated nationality, regardless of what kind it is or who has made the claim. I reject this and espouse the concept iterated by the Czech philosopher Jan Patocka, for whom the nation was a program society supported by history.

[Trojan] We know from history that J.A. Komensky in his *Allegory of the Dying Mother of Fraternal Unity* formulated a bequest to the Czech nation, even though he himself was of Moravian origin. Why doesn't he also write about the Moravian people?

[Drimal] Komensky recognized a single homeland but personally considered himself to be of Moravian nationality. It is, for example, a little-known fact that Palacky addressed his writings to "my Moravian nation" and "to the free Moravian nation." Older as well as more recent history is adapted to the Czech national concept, which originated in the Czech national revival period.

[Trojan] At Moravian National Party meetings, you speak more sharply of the Czech national element than of other political entities. Don't you think that you are injecting artificial problems where there are none?

[Drimal] What is artificial is the creation of the appearance of some kind of mononational state. It would also be

artificial if we discarded the will to have a nationality. I am following up on your question of differences. From the legal standpoint, a Moravian differs from a Czech by espousing Moravian nationality. And additional problems would threaten if anyone had the desire to implant the conviction in people who feel themselves to be Moravians that this is something bad.

[Trojan] Do you consider those citizens who were born in Moravia and who live there to be Moravians, but who claim Czech nationality?

[Drimal] We do not cast doubt on them in any way. We accept the nationality which they have chosen.

[Trojan] It is said that you are a south Moravian party. Are you represented at all in northern Moravia?

[Drimal] I admit that a large majority of the membership lives in the south, but we have an organization in Cesky Tesin, a stronger one in Zabreh na Morave, and at Sumperk. We are also in Olomouc and Prerov, even though these two cities which were formerly in North Moravia Kraj are counted by us to be more in the Hana region, which belongs to the southern portion of Moravia.

[Trojan] Do you believe that Ostrava and Olomouc would recognize Brno as the capital city?

[Drimal] This is a matter for discussion and understanding. For the present, wedges are being driven into Moravia. The concept of Brno-centrism was not invented by anyone in Moravia but by representatives of political parties located in Prague. Unfortunately, this argument was taken over even by some mayors and city councilmen in northern Moravia. The Moravian National Party does not attach a lot of weight to these voices of a kind of Moravian fifth column.

[Trojan] Statistics have documented a decline in popularity for the Moravian National Party. Do you have an explanation?

[Drimal] I do not always consider such polls to be serious. Those polls which we conducted together with the Club of Moravian Youth provide different results. In recent times, we have attracted members even from northern Moravia, from Hranice, Novy Jicin, from the Valassko region. We are showing a decent increase in membership following the disputes between the Moravian National Party and the Movement for Independent Democracy—Society for Moravia and Silesia [HSDMS].

[Trojan] What kind of disputes are these? After all, you claim that the membership base of the Movement for Independent Democracy—Society for Moravia and Silesia is your closest political ally.

[Drimal] And we continue to count on it. Disputes exist with regard to the perception of principles applicable in asserting the equal rights standing of Moravia. We prefer a nationalist principle rather than a civic and territorial

principle, because acceptance of a purely civic and territorial principle has resulted in pushing the territorial administrative breakdown more into the technical sphere.

[Trojan] You are calling for Moravian self-administration, but you have rejected the Moravian-Silesian government, which was proclaimed on 28 December 1992. Why so? And what is your relationship with the Moravian-Silesian Land Assembly?

[Drimal] I rejected this government even before it was proclaimed; the proclamation sounded ridiculous. Future land executive organs must find their origin in the will of the population. We withdrew from participation in the Moravian-Silesian Assembly, which appointed that government, as of March 1993, following a misunderstanding involving the Association for the Republic—Republican Party of Czechoslovakia [SPR-RSC]. But in view of the growing pressure to divide Moravia in parcels, pressure exerted by the government coalition, we shall return to the assembly but will attempt to have it operate on a multipartite basis. Thus far, its activities have been predominantly in the hands of Sladek's Republicans.

[Trojan] The Moravian National Congress, which registered on 15 September 1992 and which is supported by your party, also is proclaiming Moravian statehood. In this connection, its opponents are raising the argument that there is danger of dualism.

[Drimal] The purpose of this proclamation is to document the connection between Moravian and Czech statehood. Throughout history, the Czech king customarily had himself confirmed by the Moravian estates, by the assembly. And the monarchs then confirmed Moravia's prerogatives. I need only mention the Great Charter of Freedom and Rights granted by Jan Lucembursky in 1311, which was recognized by his successors. After the Battle of White Mountain [1630], Moravia remained completely independent of Prague. Moravian statehood does not mean the disintegration of the Czech Republic. Dualism is not even our problem. If anyone is afraid, they should make such territorial administrative arrangements which would eliminate dualism. But they should be done elsewhere, not at the expense of Moravia. I have in mind, perhaps, the creation of some kind of Prague metropolitan region, etc.

[Trojan] Does the Moravian National Party continue to favor premature parliamentary elections?

[Drimal] We know that we shall continue to stay in a legal and legislative provisional state until the new elections take place. For this reason, doubt can be cast on adopted laws, even on the Constitution. That is why we believe that efforts should be made to shorten the deadline for parliamentary elections. But we are not promoting any kind of hurrah style; after all, thorough preparations are necessary.

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**\* Exchange of Views Concerning Proper Role of Church****\* 'Not Commensurate With Status'**

*93CH0811A Prague CESKY DENIK in Czech 8 Jul 93  
pp 1-2*

[Article by (sak): "According to Prime Minister, the Role of the Catholic Church Is Not Commensurate"]

[Text] "The Catholic Church is beginning to play a role that is not commensurate with its status in this country. Several hours of television broadcasts from Velehrad were the last straw in this issue," Vaclav Klaus declared to CESKY DENIK.

According to the prime minister, the broadcast from Velehrad on Monday [5 July] ended the phase in which everyone considered the Church to be one of the institutions that had been hardest hit by the past regime, and thus the task was "for everyone to provide maximum support for it at any price and at all times."

"I think I can be accused of many things, but certainly not that I do not always try to view things as neutrally as possible. But we have now been given a sign that we are entering a phase when we no longer need to do this, when the support should be provided to someone completely different," Prime Minister Vaclav Klaus emphasized.

V. Klaus stated that one should not ascribe "profound significance" to his absence at Velehrad. "Two years ago I made an appearance at Husinec. Personally, I have a greater affinity with the tradition of Jan Hus than with that of Velehrad. I consider the latter to have been somewhat artificially implanted during the last two or three years, while I have been personally involved in the Husinec tradition, that of Hus and the Bethlehem Chapel, since childhood. The latter is something for which I need find no additional explanation or interpretation," he stated. Furthermore, V. Klaus commented that he only received an invitation to the Bethlehem Chapel, not to Velehrad.

**\* No Prescribed Roles**

*93CH0811B Prague LIDOVÁ DEMOKRACIE in Czech  
9 Jul 93 p 3*

[Article by Alena Vlckova and CTK: "J. Lux: It Is a Harsh and Rude Attack"]

[Text] "The Catholic Church is beginning to play a role that is not commensurate with its status in this country. Several hours of television broadcasts from Velehrad were the last straw in this issue." The person who made this and other statements directed at the Catholic Church, published in yesterday's edition of the CESKY DENIK, is Prime Minister V. Klaus. The prime minister made additional statements about this following yesterday's session with the

ministers of the economy. "Panic is spreading about my comments as to why I was not at Velehrad but in the Bethlehem Chapel. Since childhood, I have had a closer affinity with the Czech Hussite Church than with any other church. Furthermore, I was invited to go to the Bethlehem Chapel, but not to Velehrad. Today, I found out that the Bohemian and Moravian bishops are surprised that someone wishes to prescribe whether they should have fairs and pilgrimages and for whom they should pray. It is truly questionable whether my statements could be interpreted that way," the prime minister explained.

We asked the chairman of the KDU-CSL [Christian and Democratic Union-Czechoslovak People's Party], J. Lux, for his opinion: "The harsh and rude attack by the prime minister on the Catholic Church, or rather on the hour-and-a-half-long broadcast from Velehrad, can only be interpreted as a remark made because of a momentary lack of equanimity. Words like 'the last straw' or 'the support should be provided to someone completely different'—those are words of confrontation. The attempt to create an anti-Christian atmosphere or to strive to split the Catholics and the others has already taken place in our past. To be honest, we find this disturbing. Personally, I am glad that the holidays of Cyril and Methodius and of Mr. J. Hus are celebrated on consecutive days. I believe that it is more important to find what unites people than what separates them. The idea that anyone would influence television, specify what is or is not the last straw, is absolutely unacceptable to us."

"Out status in this country is given by the Constitution and not by the wishes of some public representative," states the declaration signed by the Archbishop of Prague and Primate of the Church in Bohemia, Miloslav Vlk. The Bohemian and Moravian bishops have also published a declaration in regard to the prime minister's statements. Among other things, it declares: "We are surprised that at in this day and age anyone would wish to prescribe whether we may hold fairs and pilgrimages and of what kind, for whom we should pray, and for whom we should not. We also find it inappropriate for the representative of a democratic state to wish to prescribe what television should or should not broadcast. Therefore, we reject the sermonizing about the fact that, as a Church, we are acting according to the rules of freedom."

V. Benda (KDS [Christian Democratic Party]), his most closely allied coalition partner, does not agree with V. Klaus's opinions, either. He strongly recommends that the above-mentioned article be considered as the prime minister's personal opinion, and therefore he is opposed to the KDS's publication of an official statement in relation to it. He believes that the negotiations on the assets and status of the Church in the CR [Czech Republic] must continue, and, above all, results must be attained. "I am an optimist, and these are little games," states V. Benda.

**\* Politicians' June Popularity Poll Results Reported**

*93CH0903C Budapest NEPSZABADSAG in Hungarian  
19 Jul 93 pp 4-5*

[Unattributed report: "The Losers: Ivan Szabo, Orban, Fodor"]

[Text] Szonda Ipsos performed its latest politicians' popularity poll in June. As part of the survey they questioned a sample population of 982 persons, representative of the country's population age 17 and older. The popularity of several politicians has significantly declined between May and June 1993. Finance Minister Ivan Szabo's 8 point drop in popularity is certainly related to the supplemental budget, the budget debate in parliament, and the proposed sales tax increase.

Our present survey results reflect the MDF-FIDESZ [Hungarian Democratic Forum-Federation of Young Democrats] headquarters affair. The popularity of two highly visible personalities of FIDESZ, Viktor Orban and Gabor Fodor, has dropped by 6 and 5 percentage points respectively, as a result of which Janos Palotas took second place, immediately after the president of the Republic. The headquarters affair did not hurt the popularity of Tamas Deutsch, presumably because he was not as visible in the matter as Orban or Fodor.

The popularity of the leading representatives of the MDF did not decline by a statistically significant degree. This may suggest that the identical actions of the two parties involved in the headquarters affair were viewed differently by the public. It seems that sentiments critical of the ruling party were not increased by the headquarters affair.

On the other hand, the fact that the most popular party has become involved in an objectionable transaction caused disappointment, because in the public's view FIDESZ thus far had committed only a single "trespass," when it voted with the ruling parties in parliament with respect to increased pensions. At that time, however, the party's popularity had not declined, and even Orban had been "forgiven" by the public a month later.

The popularity of Orban and Fodor remained intact within their own constituency, and among people in their teens and twenties, just as at the time of the pension increase vote. Their popularity rating shows a greater than average decrease among the elderly, and among people with the lowest and highest educational accomplishments.

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**Changes in Viktor Orban's Popularity Rating  
Between May and June 1993**


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	Percentage of Change
Federation of Young Democrats [FIDESZ]	- 3
Independent Smallholders Party [FKgP]	- 11
Christian Democratic People's Party [KDNP]	- 5
Hungarian Democratic Forum [MDF]	- 4

Hungarian Socialist Party [MSZP]	- 12
Alliance of Free Democrats [SZDSZ]	- 1
Other parties	0
Those who do not know for which party they would vote	- 4
Those who do not intend to vote	- 5
Men	- 7
Women	- 5
Budapest residents	- 7
Other city residents	- 7
Villagers	- 3
Up to 7th-grade education	- 12
8th-grade education	- 3
Skilled workers	- 4
High-school graduates	- 3
Higher education	- 16

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**June Popularity Rating of Politicians**


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Ranking	Name	Popularity Rating (Points)	Change
1.	GONCZ, Arpad	72	- 3
2.	PALOTAS, Janos	69	+ 1
3.	DEUTSCH, Tamas	65	- 1
4.	FODOR, Gabor	64	- 5
5.	ORBAN, Viktor	63	- 6
6.	HORN, Gyula	62	- 1
7.	KIRALY, Zoltan	61	- 1
8.	PETO, Ivan	60	- 1
9.	DEMSZKY, Gabor	56	- 1
10.	KUNCZE, Gabor	54	+ 3
11.	ZWACK, Peter	54	0
12.	SURJAN, Laszlo	52	- 2
13.	KOVER, Laszlo	51	- 2
14.	FUR, Lajos	51	+ 1
15.	POZSGAY, Imre	48	- 1
16.	KATONA, Tamas	45	- 2
17.	BOROSS, Peter	42	0
18.	SZABO, Ivan	41	- 8
19.	JESZENSZKY, Geza	35	- 4
20.	ANTALL, Jozsef	33	- 3
21.	KONYA, Imre	34	- 1
22.	CSURKA, Istvan	31	0
23.	TORGYAN, Jozsef	27	0
24.	THURMER, Gyula	25	+ 1

Changes as compared to May survey results; margin of error: plus or minus 4 percent.

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**\* Democratic Forum's Rate of Attrition Reported**  
*93CH0903F Budapest NEPSZABADSAG in Hungarian*  
*30 Jul 93 p 4*

[Article by Tibor J. Kery: "MDF: It Already Has 50 Representatives; 160-180 People Quit Each Month"]

[Text] The MDF [Hungarian Democratic Forum] is not going to take part in the political meeting scheduled to follow the state celebration at Opusztaszer on 20 August, and is urging the rest of the parties seated in parliament to follow the example set by the MDF so as to avoid turning the state celebration into a partisan political fight, spokesman Karoly Herenyi declared at a press conference yesterday that dealt with the MDF Board meeting of Wednesday. We also learned that the MDF is scheduling its 7th National Convention for early February 1994 to establish the party's election program.

In response to a question Herenyi made clear that the MDF had no reason to convene a special national convention prior to February 1994.

Eleven persons were present at the MDF executive committee meeting on Wednesday. Gyula Zacsek, whose party membership is going to be judged by the MDF national board in September, also received an invitation to the meeting. Due to the pending status of his membership, he telephoned to advise the organizers that he would not go to the meeting, because he did not want to disturb the meeting with his presence.

The meeting was told of a report filed by the managing executive committee, which requests the national ethics committee to take action in a manner consistent with MDF bylaws regarding members who joined the parliamentary group of the Hungarian Justice Party. The spokesman said that the ethics committee is expected to render a decision in late August or early September.

The executive committee also dealt with the organizational life of the MDF. Herenyi told the meeting that 117 people had quit in June, while 77 people had joined the MDF. He indicated that in an average, 160-180 people per month had been leaving the MDF. He also announced that new MDF organizations had been established in Szuhony, Vajszlo and Gilvanfa, while the organization at Pusztakovaci had ceased to function.

Speaking of election preparations the spokesman said that local organizations have already confirmed the nomination of 50 representatives running in individual districts, and that many of these were already members of the present parliament. In addition to political views, professional fitness is also regarded as important in selecting candidates. The county, Budapest and national slates are expected to be prepared only in early 1994, after the nomination of candidates for individual districts.

The executive committee also dealt with the state ceremonies to be held at Opusztaszer on 20 August, where Interior Minister Peter Boross is scheduled to speak on

behalf of the prime minister. The MDF is not going to take part in the afternoon political debate organized by the local government, and scheduled to take place after the ceremony. The MDF also called on the rest of the parties seated in parliament to follow suit, so as to avoid turning the state celebration into a partisan political battle. In response to a question Herenyi said that Jozsef Antall was well, and that there was no connection between his health condition and his absence at the Wednesday executive committee meeting, and the fact that he is not going to deliver the speech at the Opusztaszer celebration.

**\* MAGYAR NARANCS Might Not Follow FIDESZ Policies**

*93CH0903E Budapest NEPSZABADSAG in Hungarian*  
*29 Jul 93 p 4*

[Unattributed report: "FIDESZ Without NARANCS?"]

[Text] In today's issue of MAGYAR NARANCS, two of its lead editors deal in lengthy articles with the relationship between FIDESZ [Federation of Young Democrats] and MAGYAR NARANCS. These writings reveal that MAGYAR NARANCS does not intend to follow the political developments of the party.

A conflict between the editorial office and the party has already been revealed by an article written by Gyorgy Such in an earlier issue of the newspaper, in which the longtime editor of MAGYAR NARANCS announced that he would leave his post. Such, presently Viktor Orban's cabinet chief, complained because the editor in chief of the newspaper had called the chairman of FIDESZ "leader and chancellor," and described the party as seeking the support of businessmen from the countryside who wear "acrylic socks and shoes with laces ending in acorns." Other newspapers also presented statements and articles which suggested strife between the editorial office and the party. Among other things they argued whether the emblem with the orange had been given to the weekly newspaper by the party, or by the newspaper to the party. In today's issue Andras Bozoki writes that "the editors of NARANCS had difficulty in identifying with the fact that FIDESZ pursued an ambiguous policy of 'showing off' vis-a-vis the MDF [Hungarian Democratic Forum], an organization in which even the so-called liberal wing actively participated in liquidating the independence of public service journalism." They were unable to accept the fact that certain FIDESZ politicians regarded Jozsef Antall as their political model, and that certain FIDESZ politicians wanting to preserve the basic elements of the original program under changed circumstances were called SZDSZ [Alliance of Free Democrats] agents with ignoble simplicity by other FIDESZ politicians (who occasionally identified their own political views with those of FIDESZ as a whole). Equally, they were unable to identify with the fact that along with FIDESZ' liberal economic policies, certain conservative elements of social policy had been added. Another article provides a

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similar analysis of the relationship between FIDESZ and the intelligentsia. According to Miklos Sukosd, "a significant number" of supporters leaving FIDESZ because of the headquarters building scandal "were highly qualified members of the intelligentsia, and by no coincidence." The sociologist author of the article states that the decline in popularity caused by the scandal should not be attributed to manipulations by the socialists, the way FIDESZ leaders tried to present this matter, but to the media that did what it was supposed to do, and to the moral judgment of the former sympathizers. Both writings warn that FIDESZ has abandoned its earlier radical and alternative features, "it has turned into a center-right people's party from a pluralistic generational party."

The two authors of the MAGYAR NARANCS articles make reference to internal conflicts within the party: the downscaling of the role played by Gabor Fodor, Istvan Hegedus, and Peter Molnar; and criticize the "frightening style" pursued by Orban's FIDESZ leadership. Sukosd has this to say: "The history of the party's internal purges are reminiscent of changes in the history of the Communist (Bolshevik) Party of the Soviet Union."

**\* New Crossing Points on Slovak Border To Be Opened**

93CH0903G Bratislava UJ SZO in Hungarian  
28 Jul 93 p 2

[Article by Janos Kokes: "New Crossing Points To Be Opened on the Hungarian-Slovak Border"]

[Text] Mihaly Arnold and Jaromir Kaliciak, the heads of the Hungarian and Slovak customs authorities respectively, met yesterday at Parassapuszta to review the most important issues related to cooperation between the two organizations.

At the meeting, authorized by the two governments, they discussed the opening of a few border crossing points this year. According to the two officials, in principle there was no obstacle in the path of opening a new border crossing point between Satoraljaujhely and Szlovakujhely [Slovak name unknown] if conditions for Hungarian customs officials to operate on the Slovak side were established. At the border crossing station between Letkes and Ipolyszalka [Salka] the barriers are expected to be removed in two months, after resolving a few technical problems. An agreement in principle has been reached for opening the road to traffic at the border crossing point between Pacin and Nagykovesd. The Slovak official claimed that it would take time to replace the missing infrastructure on his side, therefore the Hungarian official offered an arrangement by which customs control functions would be performed jointly on the Hungarian side. This, however, would require inter-ministerial negotiations. A joint committee composed of the deputy commanders of the Hungarian and the

Slovak customs services will meet in two weeks, at the earliest, to discuss the actions to be taken.

The opening of five new border crossing points in 1994 was also discussed at a press conference after the negotiations. These are the following: Ipolytarnoc-Kalonda, Agtelek-Dominica, Esztergom-Parkany [Sturovo], Cered-Tajti [Tachty], and Lacacseke-Perbenyik [Pribenik]. The customs commands of the two countries have reconciled their views regarding things that need to be done, and these are now being presented to their respective governments.

**\* Minister on Environmental Issues, Laws, Enforcement**

93CH0849B Budapest HETI MAGYARORSZAG in Hungarian 16 Jul 93 pp 4-5

[Interview with Minister of Environmental Protection Janos Gyurko, by Zoltan Zetenyi; place and date not given: "The Professional Environmentalist"]

[Text] The 41-year-old MDF [Hungarian Democratic Forum] representative, a former civil engineer, accepted his ministerial appointment with sufficient self-confidence, judging by the interviews he gave. So far, so good. But for the administration of this portfolio, infinite optimism is necessary. He must have faith in the future. Moreover, this optimism cannot be based on fleeting serenity.

[Gyurko] Indeed, I am an optimist, although as time passes, difficulties mount. I suspected that there were troubles hiding like underground streams, but I have just recently begun to see the situation of the portfolio in its entirety. An example from our province: A year ago in Rio de Janeiro the prime minister signed the agreements on biodiversity and on climate change. All this time was not enough to prepare ratification of the agreements. This does not boost our image abroad.

[Zetenyi] At his April happening, Janos Sebeok forecast a sad future for our earth. Is this sad image of the future a realistic alternative, or is it too pessimistic? How does the environmentalist who is optimistic ex officio, see the most important global problems?

[Gyurko] Unfortunately, it is realistic. Within a few hundred years, we can irreversibly ruin the Earth, the biosphere, which according to the Gaia theory, is a unified whole capable of regulating itself.

[Zetenyi] It would regulate itself if we, people, were not here....

[Gyurko] Yes, we thoroughly disrupted this self-regulating system. The extinction of certain species has always been part of changes in the biosphere, but not at the current pace.

[Zetenyi] Which one of the global problems do you consider to be the most serious: The ozone hole which has recently been in the center of attention, carbon

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dioxide emission and the increase of the greenhouse effect, or the destruction of the rain forests?

[Gyurko] The thinning of the ozone layer is a serious problem: one must, and can, change this promptly. Incidentally, this is not the responsibility of the poorest countries; the largest freon emitters are air conditioners and refrigerators. The rules concerning these were set down in the treaty of Montreal, and their implementation in Hungary is under way. Climate change is a serious problem. The greenhouse effect, the warming of the Earth, is related to carbon dioxide emission which accompanies heating, and also to the destruction of the rain forests. In this area, there is hope for a solution only in the long run.

[Zetenyi] Acid rain and the consequent tragic deforestation is a problem which originated on our continent and its effects are felt on our continent.

[Gyurko] Apart from the rain, the settling of acid dust also damages forests. The reason for deforestation has not yet been established exactly, but if the resistance of one element, the trees, is reduced in a living system, the functioning of the entire system is disrupted. For the acidification occurring in Hungary, emitters to the Northwest of Hungary are responsible, considering the dominant wind direction. It is to be hoped that due to the international agreements, the situation will improve.

[Zetenyi] The pollution of our rivers is also mostly an "imported" problem. We immediately report pollution noted in the Koros rivers to the Romanian authorities, but they are only willing to come and take a samples when then bulk of the pollution has already flown down the river. What are our methods of defense or prevention in cases like these?

[Gyurko] As a consequence of the Trianon decisions, 92 percent of the water in our rivers comes from abroad. There are international agreements, but there are not many possibilities for sanctions. We can only hope for skillful "tie-ins".

[Zetenyi] Still speaking about water, ground water is not visible, but it is all the more important. A lot of untreated sewage still ends up in living waters, and it is only being treated by open sedimentation. And the liquid seeps straight into the ground water.

[Gyurko] The development of communal systems is the task of local governments, but we also provide professional support, and even some financial assistance. Unfortunately, the blades of the so-called public services scissors are still wide open: 90 percent of municipalities are supplied with tap water, while the sewer system is only one-half of that. However, the used water must be let down somewhere. This directly increases the nitrate and phosphate content of ground water. This is why one cannot drink water from the wells.

[Zetenyi] The protection of the growing soil is a related area. The responsibility is shared by the ministry of environmental protection and the agricultural portfolio.

[Gyurko] The principal responsibility is that of the agricultural ministry; we are only cooperating with them. In my opinion, this division of labor is not the most fortunate, because Hungary's greatest natural resource is its soil. One should devote more care to its preservation and renewal than is currently done.

[Zetenyi] Which emitters are public enemy number one of clean air: individual heating units, industrial emitters, or automobiles?

[Gyurko] Individual heating is a lesser problem. With the reduction of industrial production, industrial emission has decreased, but sooner or later older power stations must be disposed of. The lead content of gasoline decreased by more than 60 percent, and thus, emission, as well. The introduction of the green card [as published] resulted in a decrease of 20-30 percent. The composition of the pool of cars has improved as a result of measures in tarif and tax policies, and this, in turn, considerably reduced carbon monoxide content. At the same time, many old cars were imported, and cars are being operated which are ripe to be discarded; therefore, the nitrogen oxide content of the air increased. In this area, urgent intervention is necessary. We initiated steps with the portfolios concerned.

[Zetenyi] A few years ago, news about wagonloads of imported hazardous waste was making people nervous. What is the situation of imported waste?

[Gyurko] At the moment, there is no imported waste in Hungary.

[Zetenyi] All over the world, the greatest problem is the collection, treatment, and storage of waste. In Hungary, there aren't enough incinerators to burn even communal waste. Does the portfolio have means to reduce the use of one-way—disposable—packaging material?

[Gyurko] A unified effort by the government is necessary to accomplish this. The portfolio has already prepared a bill. Here, too, we are proposing the introduction of a product fee, and from this fund, we would support entrepreneurs who carry out recycling. We hope that packaging waste will be decreased to one-third of the present level.

[Zetenyi] Presumably only winegrowers would benefit from the many plastic bottles left over after the consumption of soft drinks. The disgusting milk bags are equally harmful. Can a change be expected?

[Gyurko] The anarchists of Szentendre once deposited one cubic meter of plastic bottles at the ministry's gate. With their symbolic act they were completely right, although it is not in the competence of our ministry to restore the system of deposit bottles. Hopefully, the product fee will be useful here, as well, and will guide manufacturers and distributors in this direction. Our

next step will be an ordinance on obligatory collection by the manufacturer. These two steps will perhaps provide a solution.

[Zetenyi] An old desire of environmentalists is the introduction of selective waste collection in Hungary, as well. Of course, the "customers" also must be made interested.

[Gyurko] This is a difficult matter, and it will be a slow process. It presupposes a change in consciousness, as well; it requires investment; moreover, it cannot be implemented without the local governments. Something can be accomplished through economic incentives: Those who are willing to collect the waste selectively, would benefit.

[Zetenyi] Certain nature preserves have become endangered when last year, at the overnight voting contest in the budget dispute, representatives did not vote for a state reservoir of land for exchange. Thus, the exchange of protected areas owned by cooperatives which have been reclaimed has been drawn out. What is the situation in remedying this error?

[Gyurko] Indeed, this was a beautiful "production." For us, it brought about a loss of prestige, and for the other side, a lot of difficulties. The proposed amendment will soon be in front of parliament.

They managed to reduce the issue of forests in Hungary to the level of a department in the ministry. The Paris region peace treaties divested us not only from the sources of our waters, but also of the greater part of our forests. It would be a vain hope to demand an independent portfolio for forestry, but the present situation is untenable. If for no other reason, then because a part of the forests will become private property again, and it will be much more difficult to direct the reproduction and management of the valuable national asset of forests which requires professional expertise. Today, the lyrics are very timely: "Don't cut down every tree!" Moreover, let us salvage whatever can be salvaged. One method of protecting the forests is the creation of a network of forest reserves.

[Zetenyi] Beyond your more limited area of competence, you have acquired considerable expertise in environmental forest matters, as well, partially due to the forest ranger and biologist members of your family, thus I am confident I can ask you about this useful initiative.

[Gyurko] At the end of the eighties, the profession of forest rangers embraced the idea raised by various social organizations; in this way, we can save the forest clusters of a high biological developmental level and diversity which can still be found in some areas of the country.

[Zetenyi] What place would you assign to the professional management of forests?

[Gyurko] My mandate includes the protection of the forest assets, but I have no means at all to accomplish this. The environmental regulation gives me a licence

only in the case of nature preserves. A broader area of competence would be justified. In my opinion, a more independent national forestry bureau would be necessary, overseen by two ministers.

At one point in the past, the minister became acquainted with the architectural monuments of western Transdanubia, and raised his voice against the destruction of villages in Romania. Constructions without permit embitter not only the life of experts at the construction authorities of the first degree, but give work to the overseeing authority, as well. Furthermore, the professional level of the permit procedure has declined.

[Zetenyi] Did a construction without permit as spectacular as that of the Moszkva square metro station occur recently?

[Gyurko] There are always cases like that. To mention a foreign example, the C-variant of the Gabcikovo dam was built without permit. On the Buda side of the Danube, which is part of the world's heritage, a hotel was built without conforming to the permit. Before a few spectacular demolitions or fines in the millions, one cannot expect construction discipline to improve. In the process of local governments becoming more independent, the control of constructions has weakened. Fortunately, others have realized, as well, that this must be changed urgently.

[Zetenyi] Speaking of fines, the amount of fines is being increased in every area of life. Is this a viable solution?

[Gyurko] Fines are not effective. We are trying to solve problems in a different way. The regulation passed by the government prescribes the preparation of a study of environmental effects in the case of construction projects and changes in manufacturing technology. This is expected to bring about considerable improvement.

[Zetenyi] As they say, every law is worth as much as the part of it that can be implemented. The bill on environmental protection which has been in preparation for a long time has entered its final stage. You promised that this would be a strict bill. What makes it strict?

[Gyurko] For instance, that contractors will have to get used to this procedure of the examination of effects.

[Zetenyi] At the same time, this increases the prestige of the portfolio. Perhaps the environmental ministry will become a major ministry one day?

[Gyurko] This is not necessary. The responsibility for environmental policy is shared by the entire government. It will take some time before each portfolio understands our criteria, but I hope that this—slightly oppositional—position within the government will not last long. Incidentally, the ministers for labor, culture, and welfare are in a similar position.

[Zetenyi] In the future, these portfolios could unite as a kind of top ministry for human policy....

[Gyurko] There is already a cabinet for human policy, and its members are precisely the ones just named. Unfortunately, it doesn't have the same weight as the economy cabinet, in which we have recently been included, as well.

[Zetenyi] Thank you for the conversation.

**\* Prospects of IMF Negotiations Analyzed**

93CH0850A Budapest *FIGYELO* in Hungarian  
15 Jul 93 p 6

[Unattributed article: "IMF Negotiations; An Agreement May Be Reached"]

[Text] "Passage of the 1993 supplementary budget, the amending of the VAT Law, and the introduction of the 1994 budget bill and its accompanying tax bills in Parliament have greatly enhanced successful negotiations," states the joint communiqui that the IMF, the Ministry of Finance and the Hungarian National Bank issued on Monday. According to our sources, there was extensive discussion primarily on the [two] big issues pertaining to public finance in general—namely, on postponing the effective date of the Public Employees Law, and on the magnitude of the social-insurance funds' permissible deficit.

As everyone knows, the way the government had hoped initially to postpone the 1 January 1994 effective date of the Public Employees Law was that, in the absence of budgetary grants, local governments would have used government-guaranteed loans to pay the raises mandated by this law. But this was unacceptable to the IMF, because, from the unified budget's viewpoint, the borrowing would have meant a rise in the budget deficit. Therefore the Hungarian government modified its standpoint in the sense that local governments will temporarily use other funds to pay the raises. (The government will eventually repay these disbursements, together with interest.) The government is willing to guarantee the loans of only those few local governments that are unable to find in any other way the funds necessary to meet the raises, but in this case the local governments themselves will have to pay the interest on the loans. It is estimated that such loan guarantees would amount to several billion forints, and the IMF is willing to agree to them only under the condition that the loan guarantees be covered from the budget's general reserve, in a manner specified in advance.

The other big issue is the foreseeable deficit of the social-insurance funds in 1994: 80 billion forints according to present estimates, but 71 billion after cleansing the scope of the funds' expenditures—i.e., after shifting child-care allowances to the state [administrative] budget. According to the standpoints of both the government and the IMF, less than half of that deficit would be acceptable in the unified budget. Finance Minister Ivan Szabo has said that the IMF would consider even a deficit of 34 billion forints as acceptable, in contrast to its original standpoint of 24 billion forints.

Several simultaneous measures could come into consideration for reducing the social-insurance funds' deficit to an acceptable level. Revenue from social-insurance contributions could be increased by broadening their basis of assessment, to include also the imputed value of payments in kind, for instance, the same way as this is being done for the purpose of assessing individual income tax. The rapidly rising price subsidies for pharmaceuticals could be reduced. User fees could be introduced for certain nonbasic health-care services. And the employers' obligation to provide sick pay could be extended to a period longer than the first 10 days. The transfer of state assets to the social-insurance funds probably could ease their financial situation only if the funds were to sell the assets.

As we have already reported, it was hoped earlier that if the draft of a letter of intent was approved in the IMF negotiations in June, the IMF Board would have been able to consider that letter of intent at its July meeting. But a precondition for this would have been introducing in Parliament before the end of June also the social-insurance budget. Due to [the outcome of] the May elections to the local social-insurance administration boards, however, it was impossible to meet this schedule. In the end the IMF delegation took cognizance of this fact, with the understanding that the social-insurance budget would be introduced in Parliament by the end of summer—i.e., before the commencement of parliamentary debate on the substance of the 1994 budget bill. To meet this condition, the government will have to come to an agreement with the local social-insurance administration boards. And it must do so as quickly as possible. Because then there is a chance that the IMF Board will approve Hungary's loan application at its September meeting—i.e., before the parliamentary debate on the 1994 budget bill and its uncertain outcome. On the basis of Parliament's schedule, that can be expected around the end of October.

**\* Pessimism Expressed Regarding 1994 State Budget**

93CH0836B Budapest *HETI VILAGGAZDASAG* in Hungarian  
10 Jul 93 pp 86-87

[Article by Aniko Szanto: "The 1994 Budget: Faith but Less Hope"]

[Text] *What the country needs is the goodwill stemming from an agreement with the International Monetary Fund, rather than the amount of the loan itself, competent officials of the central bank and of the government have been saying up to now. But what is delayed is still to come, claim experts who have seen the draft of the 1994 state budget.*

"Among the former holiday resorts of the MSZMP [Hungarian Socialist Workers Party], Dobogoko Hotel is no longer operating within the framework of holiday resorts under the Prime Minister's Office, as of 31 May 1993. By its resolution, the government has transferred

the hotel to the Hungarian Province of the Society of Jesus," one reads in the draft of the 1994 state budget, a three-volume document that runs to about 3,000 pages. The quotation discloses an inside secret of how the government is attempting to muster the votes necessary for passage of the 1993 supplementary budget bill. In the same way, the 1994 draft budget also reveals that next year, on average, it will be necessary to pay 10 percent more excise tax than this year.

From the draft budget we also learn that the estimated direct cost of the elections, including severance pay for the staff of the Prime Minister's Office, will be 1.5 billion forints. Not to mention the expenditures with which the ruling parties will be preparing for the big event. Through a 160-forint increase in the monthly license fees for radio and television sets, households will have to bear the entire operating costs of public-service Hungarian Radio and Hungarian Television, while both have been placed under the government's control. At the same time, Duna Television is to receive a subsidy of 1 billion forints from the state budget next year, although its operation has been entrusted to the Hungaria Television Foundation, which is independent of the government. Such budget items, large and small, add up to a total expenditure of 1.507 trillion forints for 1994. According to the plan, however, estimated total revenue will fall short of this amount by 250 billion forints. The gaping hole in the state's coffers—at least according to the draft budget for 1994—will be 6.4 percent of next year's estimated GDP.

The government seems to deserve praise for presenting a detailed draft budget for 1994 to Parliament last week, three to six months earlier than usual. Allegedly, the presentation of such a draft budget has been a precondition for concluding an agreement with the International Monetary Fund. Indeed, the Antall government should deserve praise also for overfulfilling the requirements specified in the Public Finance Law. Because, according to that law, the government was required to present to Parliament in June only budget guidelines containing the most important economic interrelations. In the opinion of opposition experts, however, the government has offered a mass of detailed budget data specifically in an attempt to mask its lack of a workable solution for stopping the widening budget gap; furthermore, the Antall government seems to want to hush up temporarily—at least until the 1993 supplementary budget bill's passage—the Hungarian economy's deep crisis, and to drive the country into another wave of growing indebtedness.

The fact is that MP's still have not received the entire "package plan" that Finance Minister Ivan Szabo had announced in May with so much fanfare. While the head of the Ministry of Finance has kept repeating as a refrain that the banks could say good-bye to capital from the World Bank needed to strengthen them financially, if we failed to conclude an agreement with the International Monetary Fund by 15 July, the Antall government so far has not obliged the National Assembly with any bills

regarding the situation of the big commercial banks, the reorganization of firms that are in financial difficulties, or the Loan Consolidation Fund that is to serve the aforementioned reorganization. Yet it is doubtful that the government has authority to make decisions about raising international loans of the order of 100 billion forints, without Parliament's authorization.

The drafts of the tax laws that are to be effective in 1994 will be finalized only in the next few days, and the government will present the draft of an individual income tax table only in August, after the processing of the tax returns for 1992. Anyhow, it can be established already from the draft budget that the easing of the tax burden on entrepreneurs is unlikely to give the economy a boost, and that the tax bite may become even bigger. For although the rate of corporate income tax will be reduced from 40 to 38 percent for next year, and the central technical development contribution equal to 4.5 percent of profit will be abolished, entrepreneurs, according to official expectations, will have to increase, by an amount equal to 1.5 percent of sales, the basis for assessing corporate income tax. Moreover, there are plans to require economic players to pay as yet unspecified amounts into a newly established so-called Wage Guarantee Fund, to insure that the employees of firms undergoing liquidation get the wages to which they are entitled. All this would coincide with the termination of certain tax benefits, as announced in 1991.

What is known at present about the raises for physicians, teachers and other public employees next year is that the government will elaborate in a separate legislative bill, by the meeting of the Council for the Reconciliation of Interests scheduled for August and jointly with the interest-representing organizations, the details of a system of state guarantees on which the raises are to be based. A peculiar chess game is beginning to unfold between the government and the trade unions. The government and the Council for the Reconciliation of Interests need the trade unions' support if a budget is to be adopted in the spirit of social harmony. And in its turn the National Federation of Hungarian Trade Unions needs the ruling parties' support in Parliament, for passage of its social-insurance proposals.

But it appears that attempts to find a "common denominator" have been so unsuccessful that the government, although obliged to do so by the provisions of the Public Finance Law, has not introduced in Parliament a draft balance of the cash budget that includes also the social-insurance funds. The trade unions estimate that 80 billion forints more than the revenue from social-insurance contributions will be needed next year, but the government believes that a deficit of 25 billion forints is the maximum that could be financed. At the same time the government also claims that an agreement with the International Monetary Fund will stand or fall with this item. However, in the light of the \$1-1.5-billion deficit that Hungary expects in its balance on current account next year, the agreement with the IMF becomes merely a "political act." The most convincing proof of this is the

fact that, without any particular explanation, the budget deficit estimated in the draft budget is higher by 35 billion forints than the 1994 deficit Ivan Szabo announced with great fanfare in May, on the basis of what he claims was an oral agreement with the IMF.

In May, incidentally, the finance minister argued that a deficit larger than 215 billion forints would jeopardize the economic recovery that is being set as a priority for 1994. Prosperity is indeed long in coming. The summation of the corporate income tax returns for 1992 shows that the losses of business organizations exceeded their profits by between 120 and 130 billion forints last year, and that they are carrying over earlier losses of 230 billions more. There will be 900,000 to 950,000 unemployed by the end of 1993, and even next year we cannot expect fewer than 850,000 to 870,000. A month ago, when the government presented its supplementary budget bill, its estimate of this year's deficit on current account was "merely" between \$200 and \$600 million. But now, without bothering to give any particular explanation, it predicts deficits of between \$1.0 and \$1.5 billion for this year, and between \$0.8 and \$1.3 billion for next year. Even the last straw is slipping from the grip of an Antall government that is floundering in a sea of debt: personal savings, which up to now have been a reliable source of financing the budget deficit and grew by 274 billion forints last year, will grow by only 220 or 230 billion forints this year. Hence it is hardly more than wishful thinking to expect that the growth of personal savings will be exactly as much as the budget deficit.

It is due presumably to the uncovering of these negative economic processes that the official forecast of 3 percent [annual] growth in May has changed to between 1 and 3 percent since then. Certainly even this forecast will turn out to be exaggerated. And also doubtful is the government's economic-policy expectation that foreign direct investment of \$1.5 billion a year will continue, just when our balance of payments is taking a turn for the worse. There are more and more signs that chronic domestic monetary disequilibrium may be followed by external disequilibrium as well. The fact that the Antall government has done nothing to restrain the state control saddling the economy, and to trim income redistribution through the state budget, could prove to be the government's undoing. The last time the balance on current account at the end of the year showed a deficit of \$1.4 billion was in 1989, under the Nemeth government. But already in the first year of the change of political systems the balance on current account swung over into a surplus, and the budget deficit also shrank. Since then, however, the deficit just keeps widening. Consequently, the effects of the advances made in recent years in developing the market economy's system of institutions must have been merely ambiguous.

#### \* Harvest, Cooperatives, Land Privatization Discussed

*93CH0836A Budapest HETI MAGYARORSZAG in Hungarian 9 Jul 93 p 7*

[Article by B.V. and Z.B.: "\$103 Million for Agriculture; State Property Agency Decision on Transforming 59 State Farms"]

[Text] The press briefing at the Ministry of Agriculture last week attracted more interest than usual. The reasons for this should be sought in the following: The debate in Parliament over the mass exodus of members from agricultural cooperatives has heated up just recently; and the question has arisen of a possible amendatory bill's passage. The interest-representing organizations would interpret an amendatory bill as the government's intention to break up the agricultural cooperatives. The economic cabinet has categorically denied any such intention. Both Privatization Minister Tamas Szabo and Finance Minister Ivan Szabo have said in their statements that they do not regard amending the law as opportune for the time being, and that it is far more important to ensure the continuity of farm production.

Agriculture Minister Janos Szabo announced at the press briefing that, despite of the drought, the harvests of winter wheat and winter barley will both fall short by merely 10 to 20 percent of the volumes the ministry had estimated at the time of planting. Consequently, there is no reason to fear disruptions in domestic supply, and some export can be expected even in the case of bread grains. The ministry's top official rated the \$103-million (nearly 9-billion-forint) loan agreement with the European Bank of Reconstruction and Development (EBRD) as something that will determine entire agriculture's future. State Secretary Gyorgy Rasko, who was likewise present, established that the government has never before concluded a loan agreement for such a large amount on so favorable conditions. The term of the loan is 10 years, its grace period is three years. The applicable interest rate is also very favorable: one point over LIBOR. The loan may be drawn in either foreign exchange or forints, although the Ministry of Agriculture feels that, as this loan is intended for agriculture, borrowers will be requesting loans mainly in forints. The government will subsidize 50 or 70 percent of the borrowers' interest payments. The interest rate will be 20 percent, which means that the real interest rate will be 10 percent at most.

Loans to borrowers will be available in October at the earliest. The loans can be used, among other things, to buy machinery and equipment, to develop the tourist industry in rural areas, to erect farm buildings, and to start businesses. Indeed, up to 30 percent of the loans may be used to purchase secondhand equipment or to buy cooperative shares. The London bank wants to speed up agriculture's transformation, with the restriction that it will permit government subsidies for the interest payments only in the case of loan applications submitted on 31 December 1994. The conditions for obtaining loans do not contain any discriminatory provisions. Lending will actually be sector-neutral. Of course, creditworthiness and know-how will be requirements here as well. Incidentally, three Hungarian banks—Magyar Kereskedelmi es Hitelbank [Hungarian Commercial and Credit Bank], Magyar Hitelbank [Hungarian Credit Bank] and the OTP [National Savings Bank]—have been accepted as participants in this

lending scheme. The OTP's participation is especially fortunate, because it has a national network of branch offices, and in a certain sense it is much closer to rural farmers than the other two banks are.

The Ministry of Agriculture has promised to publish the list of consulting firms that will be able to help the entrepreneurs concerned prepare their business plans.

The EBRD has set as a condition that the participating banks will have to maintain a 3-percent reserve against possible mismatches between their assets and liabilities. The Hungarian government has guaranteed to ensure this. Talks with the EBRD are continuing on programs for improving the financial situation of the food industry. According to the plans, the firms that are not creditworthy but otherwise are functional will issue bonds that the EBRD will buy at their nominal value and at its own risk. Among the former socialist countries, Hungary would be the first country in whose agriculture this unique trail-blazing lending scheme is being employed.

State Secretary Gyorgy Rasko deemed it very important to announce that last week the State Property Agency's board of directors approved the transformation of 23 food-industry enterprises and 59 state farms. Together with the state farms transformed earlier, the number of state farms operating as business associations has thus risen to 68. Merely 19 state farms are expected to undergo compulsory transformation, liquidation or final distribution of assets. In comparison with industry, that number may be regarded as favorable.

To shift a run-down economy to a new path of growth is not an easy task by any means. Therefore there is no cause for taking offense if some mistakes do slip in, despite the best intentions. That applies to oft-criticized

compensation as well. Government Commissioner Sandor Zsamboki informed our paper about the present status of compensation.

The Compensation Office has allocated for auction land with a combined total cadastral value of 38 million [Austro-Hungarian] gold crowns, half of which has been prepared for auction, and 3.5 million gold crowns' worth already has new owners. Admittedly, progress could have been faster, and it will have to be faster in the coming period if the transformation of agriculture is to be completed by 31 December 1993. But there is not much hope of that happening. For it is common knowledge that the land registry offices are overburdened, and their personnel have to work day and night, for low pay. A change can be expected in the coming period, at least so far as salaries are concerned: according to a wage agreement, the personnel will be getting a 25-percent raise. But before anyone starts becoming envious, it should be pointed out that the gross salary of the average employee at land registry offices will rise merely from 20,000 to 25,000 forints.

Naturally, anyone who wants land is not interested in where and why there are bottlenecks within the apparatus. This is evident from the increasing number of complaints the Ministry of Agriculture is receiving. The most common grievance is that the land, although allocated, has not been staked out, and the complainants have not been able to take possession of it. The government commissioner complained that it is difficult to take action because the Ministry of Agriculture has been assigned an enormous task, but has been granted only a limited scope of authority to carry it out. The land-leasing and the land-reallocating committees are likewise uncertain about how to proceed, because their clients are complaining that they have to pay for the surveys. On this issue, both Istvan Fodor and Mihaly Kupa have spoken out in Parliament. The land-leasing committees are now awaiting a decision on whether the surveys will be free or subject to a fee.

**\* Privatization During Election Campaign Viewed**

*93EP0330A Warsaw TYGODNIK SOLIDARNOSC in Polish No 28, 9 Jul 93 pp 16-17*

[Interview with Jerzy Drygalski, secretary of state at the Ministry for Ownership Transformations, by Jerzy Domagala; place and date not given: "The Balance Sheet is Still in a Flux"]

[Text] [Domagala] Might not the government exploit the absence of the parliament in order to translate into reality, furtively and sneakily, as it were, its economic concepts, including the solutions reflected in the Pact of the State Enterprise?

[Drygalski] Impossible. The application of the solutions contained in the pact concerning finance, housing construction, social protection, and so forth requires appropriate legislation. That legislation is lacking, and the government has no power to issue emergency decrees.

[Domagala] But couldn't certain elements of the pact be implemented even now, without waiting for the legislation?

[Drygalski] Only to a modest extent. The social-protection part of the pact requires appropriate laws to be passed. That also applies to a considerable part of the financial package, especially such fundamental and anxiously awaited solutions as the abolition of the "dividend," modifications of the tax on wage increases, and a change in the system for distributing profits. It also applies to most of the privatization solutions, including the procedure involved in selecting the form of ownership transformation within six months. It will not be possible either to assure equality of the scope of preferences for private farmers with preferences for employees of state enterprises, regulations that complicate privatization. Still, three things are feasible. First, the scope of worker privileges can be expanded by, among other things, introducing a partial employee stock-ownership system at commercialized enterprises as based on granting to employees a package totaling up to 10 percent of stock equal to 24 average monthly wages. Thus, that will be a step forward in the 100-million direction proposed by President L. Walesa. Second, capital stock requirements for one-person Treasury companies can be reduced, which will bring considerable relief to the companies in a precarious financial situation. Third, we already began to translate into reality, however difficult it might be from the technical point of view, the highly important law on the financial restructuring of enterprises and banks. The government is determined to actively implement those three possibilities.

[Domagala] Will the government try to prepare the soil for the acceptance of the pact by the future parliament and the future government?

[Drygalski] No signatory to the pact—neither the government, the employers, nor the trade unions—has renounced it or expressed a desire to renegotiate it. Thus,

the pact remains formally binding. Prime Minister Suchocka has announced, though, that it will be reanalyzed and all of its aspects reviewed. Will the new government be inclined to accept the pact without revisions or renegotiate it? That is an open question. Perhaps even now the pact should be thoroughly reviewed and some revisions introduced. Such revisions would be needed in, for example, the Privatization Law. But they are of a technical nature, and it is not yet time for them.

[Domagala] Is the failure of the pact to take effect on 1 July, as originally scheduled, going to cause any specific perturbations to the economy?

[Drygalski] I do not think that any direct perturbations, such as might cause a decline in the financial performance of enterprises, a growing debt burden, and so forth, are likely. But some indirect ones might occur. I wish to emphasize that the cost of the collapse of the government, the dissolution of the parliament, and the failure to pass many important laws will be high. For those developments mean, in practice, at least a year's delay in further institutional transformations, the more so considering that the new parliament will have little experience in legislative work and must give priority to work on the Budget Act. The evolution of the financial system will not be accelerated, and the law formally establishing the State Treasury will not be passed; that, in its turn, means a continuation of the inefficient and outmoded system of management of the state sector. Old social-welfare solutions will be maintained. The absence of protection for the employees of bankrupt enterprises will expose them to greater risk. Ownership transformations will not be markedly accelerated. The uncertainty period for state enterprises will grow longer. Some of those enterprises are already trying to adapt themselves to that situation, but others will probably wait and see what measures the new government will take. But the economy cannot exist in a vacuum. The enterprises cannot wait. They must generate profits because, without profits, there will be no improvements, no wage increases, and so forth. There will be many perturbations. I do not know how to estimate that. The proposals recently made by Prime Minister Suchocka are intended to reduce those costs to a minimum and to facilitate, speed up, and streamline economic processes in the circumstances that have suddenly arisen.

[Domagala] What if the new parliament or government rejects the pact in its entirety? What if it rejects its idea in general?

[Drygalski] The parliament is sovereign and can do so. Perhaps that is more likely than it might seem at present. If, for example, the 300-million zloty program or the ideas of the KPN [Confederation for an Independent Poland] are accepted by voters and the groupings proposing them win a big majority of votes, the pact may be rejected. That would most likely cause the economy to become more chaotic and slow down and protract the process of privatization. Certainly, however, there will be no economic collapse or anything as dramatic. Poland

is too big a country, and its economy by now is too independent an organism to hinge on politics.

[Domagala] What if the new government rejects in its entirety current economic policy and reorients it radically?

[Drygalski] In theory, that is of course possible. But I do not think it a realistic consideration. After all, even our critics, such as the KPN and the SLD [Democratic Left Alliance], are not proposing a return to the command-economy system. Its bankruptcy is too stupendous to consider it seriously.

[Domagala] But the yearning for stability, however associated with poverty it may be, is strong within the society.

[Drygalski] People want to have their cake and eat it, to live in the feeling of security associated with socialism and to enjoy the fruits of capitalism such as full store shelves and so forth. Those two things cannot be reconciled. Consider the experience of other countries. In Chile and Turkey, privatization was attempted three times. First there was euphoria, then collapse, then a reversal, and then again a going forward. A market economy may not be perfect, but it is the least imperfect of imperfect solutions. Dreams of a third way are just that, dreams. Nowhere have they proved true, and there is no reason they should prove true precisely in this country. Nowadays, social-democratic ideas also need to be reconsidered. They originally had been a reaction to the excesses of capitalism and proposed as a cure—among other things, centralized planning and far-reaching intervention of the government in the economy—but that did not prove feasible, either. A residue of those ideas is the tendency to expand the scope of state interventionism and social protection. All of that is being translated into reality in the capitalist countries. Nowadays, no sound-thinking person, in our country as well, claims that pensioners, job seekers, and the disabled should not be helped. It is only necessary to have the resources for that purpose. Thus, a total reorientation of the economy is not possible—also because it would require amending dozens of laws. The new parliament will be divided, the government will be a coalition one, and the opposition will be strong. We have an independent press and opinion-making constituencies. It is not easy today to impose one's views on society.

[Domagala] Unless the new government is given emergency powers.

[Drygalski] Unless. But the drafting of emergency decrees and the requirements for enacting them would also be difficult and complicated. Besides, emergency decrees are no panacea. The new government will face the same problems to be solved. I have been working at the Ministry of Ownership Transformations since the very beginning, and I have seen how its point of view changed depending on its place in the power structure and on the scope of its powers and obligations. International conditions also have to be taken into account. We

face the necessity of repaying our debt. A condition for doing that will be debt reduction, and a condition for debt reduction, in its turn, will be fulfilling our obligations to the international financial institutions. A reorientation of the economy would mean rupturing, or at least suspending, negotiations with the Paris Club, the London Club, and the International Monetary Fund. That would cost Poland many billions of dollars. In theory, that risk could be taken.... Consider also the need to service the domestic debt and to finance the budget deficit for 1994. Thus, the point is that the room for maneuvering is extremely narrow, not because a person is a Liberal or a member of the Democratic Union or the KPN but because such are the economic limitations. Any new government would have to face the same problems.

[Domagala] Would you want to work for a government that would opt for a different road than that traveled by the governments for which you have been working so far?

[Drygalski] That depends on the road. After all, the four successive governments for which I have worked did not all implement the same program. Only the general orientation, the basic framework, remained the same, and, besides, no one has ever questioned them. Were the KPN or the SLD to be asked nowadays if they support privatization and the market economy, they would reply that, of course, they do, provided they are genuine and honest. But, while the basic assumptions remain unchanged, there exist big differences between the government's policies in 1990 and those in 1993 on, for example, state intervention, customs, and protection of the agricultural market. One thing is certain: Should the program of the new government be irrational, I would not work for it. Knowing that what I am doing has meaning is very important to me, the more so considering that working for the national government is not easy and not very lucrative.

[Domagala] But the public thinks it is very lucrative.

[Drygalski] Considering the burden of duties, the responsibilities, the scale of accusations, the recriminations, the mudslinging, and the long hours of work (we work 12-14 hours daily), it cannot be called a gratifying and lucrative profession—The more so considering that we have been receiving job offers from private companies and international institutions. Hence, the new government should put a premium on retaining the services of civil servants who have gained unique experience and skills during the past couple of years of reforming the economy.

[Domagala] Let us look backward. What mistakes did you make, and what were your accomplishments? What would you have done differently?

[Drygalski] Above all, we underestimated the scale of the problems involved in ownership transformations, both technical and social problems. We realized that the cost of the reforms would be high, that there would be a reaction against privatization, but we did not counteract that reaction adequately and in time. Besides, at that

time, no one had supposed that the decline in wages and the growth of unemployment would reach such an extent and that the restructuring processes would be so difficult, so conflict-ridden, and so prolonged. Could all of that have been handled differently? It is still too early to answer that question unequivocally. All the same, despite those mistakes and shortcomings, the Privatization Law, for example, is working. That is proof that we have adopted a procedurally solid program that respects tried and tested methods for the influx of investment capital, the building of a capital market, stock exchanges, and so forth. Were I to be asked whether we should not have, instead, followed the Czech or the Russian road, I would answer unequivocally that the Polish road is more rational. In this country, privatization is part of the adaptation of enterprises and companies to the market economy, and of the concomitant restructuring of enterprises and the elimination of money-losing ones. The Czechs are only beginning to face the process of streamlining their economy, along with its inseparable effects, such as bankruptcies, shutdowns, and unemployment. Of course, we should also pay more attention to cooperating with enterprises. We do pay attention, but our resources are too slender. The Ministry of Ownership Transformations employs some 430 persons, of whom more than 100 are in field offices. Compared with Germany and other countries, our administrative staff is very limited and overburdened. Even so, Poland is the country most advanced in its reforms, more so than Hungary, which began them earlier and where the influx of foreign capital is greater. But it is in our country that the private sector accounts for 50 percent of total national employment. In sum, however, I think it is premature to attempt an overall appraisal.

[Domagala] The government has barely more than two months left. How will it use them?

[Drygalski] That is a period of ordering things. The laws passed by the Sejm imposed on the government the obligation of drafting many implementing regulations. We are working on them. We are trying to do something in the nature of a general overhaul and to bequeath to our successors properly drafted and adequate regulations. Besides, there are many problems, including current ones. As regards privatization, we are, among other things, conducting a promotional drive and beginning an ambitious training program as part of the pact, which will be extended to 16,000-18,000 employees and represent a major educational drive. As regards private companies, our work on evaluating the performance of their boards of governors and supervising councils and verifying their balance sheets and so forth is continuing. We have begun to implement the Universal Privatization

Program. We are concluding additional capital transactions. The effects of the absence of a Reparprivatization Law have to be alleviated. We are translating regional agreements into reality. Where tensions and strikes arise, we have to respond to them. Those are only some of the matters we attend to on an everyday basis. I had thought that I would get home from work earlier, but, actually, I am getting there later.

[Domagala] Recently, you have been traveling a lot through Poland, touring workplaces and meeting with people. What is their mood, in your opinion? What are your impressions, your observations?

[Drygalski] They are variegated. Poland in mid-1993 is an incredibly heterogeneous country. It resembles the U.S. melting pot or crucible, in which everything is still melting, without acquiring its final shape, where the poor and the rich exist alongside, where some industries are in the lead and contribute to economic growth, while others have serious problems, where some regions have huge problems, and others, such as Poznan Voivodship, basically do not expect assistance. Thus, those meetings are very diversified. At times, they are encouraging and demonstrate accomplishments, initiative, enterprise. Recently, we toured the Bialet Plant. It provides an example of a positive restructuring of the electronic industry, an example of concern for the product, for orderliness and neatness, and for high-quality parameters. But there are also regions characterized by hostility to change and a lack of initiative. There I am asked, "Why have you come, Mr. Minister? Will you provide debt relief for our enterprise? Will you grant us subsidies and tax relief?" That is the traditional approach, the traditional claimant attitude. So I ask them, "What is your program? What are your ideas?" They do not have any; they are just waiting. This is an extremely difficult period of adaptation of mentality. Despite everything, not that much has changed. In the beginning, in 1991, many delegations visited the ministry: plant managers, worker government representatives, trade unions, and sometimes also deputies and senators. More often than not, they claimed that their plants would go bankrupt unless I consented to the formation of an employee-owned company or a lower requirement for founding capital. It was very difficult to talk with them, and sometimes they were even so demanding they were rude. Nowadays, that hardly ever happens. I have a visitor or two and they say, "Mr. Minister, the Privatization Law, Article 37, Point 1, 2." I answer that this or that is needed. The conversation takes 15 minutes. But other visitors argue, "Mr. Minister, not so long ago customers used to stand in line for our merchandise, so why are they not buying it now? Do something." Yes, such conversations do still take place even after three years of the reforms.

\* Nation's Rating by International Community  
Criticized

93CH0828A Bratislava REPUBLIKA in Slovak 8 Jul 93  
p 3

[Commentary by Jozef Mihalik: "Slovak Republic in the Balkan Category?"]

[Text] Attempts to classify the postcommunist states according to the degree of their economic revitalization have recently increased. The first category includes Poland, the Czech Republic [CR], and Hungary; the second Slovakia, Bulgaria, and Romania; and the third the states of the former Soviet Union.

That is not done on the basis of any convincing arguments but, rather, according to the image of Slovakia in the world, fabricated by its detractors from their internal sources with the aid of foreign helpers (led by several editors from Radio Free Europe and some from the Czech and Hungarian mass media); the classification of the Slovak Republic [SR] as a second-rate state on the level of the Balkans is being widely accepted. The situation is a repetition of the spread of disinformation during the first visit of the delegates of the International Monetary Fund to the SR. Where did they get such untrue information?

However, the facts say something else. In terms of economic potential, Slovakia remains the second-most-advanced state among the postcommunist countries (right after the CR). As they implement their economic reforms, its neighboring states—the CR, Poland, and Hungary—are creating the same model and facing the same problems (clearing state enterprises of debts, types of privatization, and so on) as the SR.

Neither the CR nor Hungary nor Poland is up to the projections of growth for 1993. At the end of 1992, Poland's debts amounted to \$45 billion. Hungary's debts are also high. Slovakia together with the CR shared a debt of \$10 billion, which was divided between the CR and the SR at a ratio of 2:1. All other states included in the second and third categories are showing disproportionately lower results of their reform. It would not be fair if Slovakia found itself in a category whose economic level is very different from that of the SR. (For instance, while in 1992 inflation in the SR amounted to approximately 10-12 percent, in Hungary it remained at 21 percent, and in Poland at 40 percent. Prices rose 90 percent in Bulgaria, 200 percent in Romania, and as much as 2,000 percent in Russia.)

Let some facts speak. According to DIE PRESSE, in 1992 the per capita gross national product (GNP) was \$8,900 for the CR, 8,300 for Hungary, 7,400 for Slovakia (in comparison with the CR, it may be challenged because it counts with an unsubstantiated decline of the purchasing power of the Slovak currency), and \$6,400 for Poland. The SR is ahead of Hungary and Poland in per capita production of basic commodities—for

example, power generation and the output of concrete, pig iron, crude steel, and other products.

The unemployment rate in the SR is 12 percent, in Hungary 13.4 percent, and in Poland 14.2 percent. The ratio of foreign debt to the total national product is considerably more favorable in the SR than in Hungary or Poland.

Neither of those states is meeting the prognoses for its economic development in 1993. The recession continues and, with it, national revenue declines. For instance, the government of the CR projected that its GNP in 1993 would be 1-3 percent higher than in 1992. Available analyses foresee a 3-to-5-percent drop. In the past two years and three months, total industrial production in the CR went down more than 35 percent, and the slump continues. Analogically, the initially predicted rate of about 15-percent inflation will actually exceed the 20-percent level. A 6.5-percent drop of the GNP is projected for Slovakia, and so is 17-to-23-percent inflation. In Hungary, a 0-to-3-percent increase of the gross social product (GSP) was anticipated for 1993, but last month the Ministry of Finance announced that the latest trends in export seem to indicate that the GSP will stagnate or even decline by 3 percent. The deficit in the budget has increased and may amount to 214.7 billion forints as compared with the initially planned 185.3 billion forints. Poland's GNP was expected to rise 2 to 3 percent in 1993. The latest projections already speak about zero growth or a slight decline.

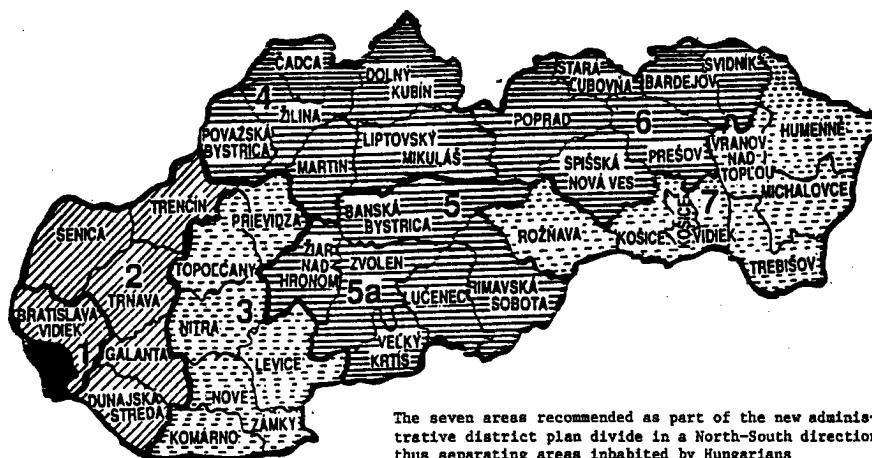
These analyses demonstrate that, as concerns the implementation of the process of transformation, its economic conditions and the progress of its economic reform entitle the SR to a first-category rating. Its problems notwithstanding, Slovakia has certain advantages that are well known but not mentioned—for instance, its prevailing social tranquillity, the good achievements of many Slovak enterprises during the process of transformation, and its relatively good initial base of enterprises established in Slovakia over the past 20-30 years.

Propaganda and malice cannot turn back objective economic processes. They follow their ascending and descending curves. Some are short-lived, and others last a longer period, but trends based on the economic and human potential are irreversible even in the case of mediocre management. I recall that, when I participated in the planning for the second decade of development in the UN Secretariat in New York, we were not sure in which developmental category Japan should be included because its per capita GNP at the time was approximately \$700. According to some views, it belonged among the economically undeveloped states. Japan today is one of the most advanced states in the world.

## SLOVAKIA

JPRS-EER-93-087-S

19 August 1993



**\* New District Lines Said To Violate Minority Autonomy**

93CH0891A Budapest MAGYAR FORUM in Hungarian 8 Jul 93 p 6

[Article by Anna Papp: "Area Rearrangement in Slovakia"]

[Text] Slovakia's application for membership in the Council of Europe has been accepted. That is incomprehensible because, insofar as the new government administration law is concerned, the seven North-South administrative divisions replacing the 38 county districts amount to an attack on Hungarian-inhabited regions. We have seen similar things in several places over the past 73 years. Thus, in the former Serb-Croatian-Slovenian kingdom that later became Yugoslavia; in Romania, when county lines were changed in the days of Gheorghiu Dej; and also in Romania, during the reign of the second Conducator [leader] (who followed Antonescu).

Slovakia, where Meciar's popularity has dropped by half during the past two years, pays only lip service to local autonomy. Local autonomy is countered by a provision according to which local governments are subject to the direction of regional state administrative (central) officials stationed at 121 new district seats. This kind of arrangement is offensive everywhere, but in particular at places where Hungarians constitute an absolute or relative majority of the population because they, too, are slated to be directed from above by Slovak officials. (As

a reminder: 120 mayors and 2,500 local legislators came from the ranks of the Coexistence Movement alone.)

The Fourth National Congress of the Coexistence Movement prepared a 10-point proposal—Slovak representatives were given copies in their own language—concerning the new state administrative division of Slovakia. In South Slovakia, where about 500,000 Hungarians reside, 435 municipalities have a majority Hungarian population. Based on the proposed concept, each municipality would have both a majority and a minority local government. In other words, in municipalities with a Hungarian majority, a numerically smaller Slovak minority government would operate, while, in the 500 settlements where the ratio of the Hungarian population is smaller but exceeds 10 percent of the total population of the settlement, a Hungarian minority government would exist alongside a Slovak majority government.

Accordingly, Hungarians would have an absolute majority in 20 or 22 of the 435 municipalities.

No response has been received to the 10-point plan, which complies with European standards and is also supported by CSEMADOK [Democratic Organization of Hungarians in Czechoslovakia]....

**\* Press Views Devaluation of Slovak Koruna**

**\* Comment of Leaders**

93CH0827A Bratislava SME in Slovak 12 Jul 93 p 2

[Article by Slovak Press Agency (TA SR): "Economics Without Dynamics. V. Meciar and L. Černák Do Not Anticipate a Further Devaluation"]

[Text] Marian Tkac, vice governor of the National Bank of Slovakia (NBS), said on Saturday that he is convinced the 10-percent devaluation of the Slovak koruna vis-a-vis convertible currencies is sufficient. He emphasized that the NBS was led to that step by disproportions between supply and demand for funds and the fact that the economy is lacking the desired dynamics.

At a Saturday press conference on the coalition talks with the HZDS [Movement for a Democratic Slovakia], SNS [Slovak National Party] chairman Ludovit Cernak rejected speculations that the present 10-percent devaluation is merely an opening round and that another devaluation will follow. Prime Minister Vladimir Meciar said in that context that the real effects of this step may show up positively within a year. Until then, it will be necessary to cope with the negative effects, which may have an adverse impact on entrepreneurs and the economy as a whole. The government will adopt measures against the growth of inflation and in support of a proexport policy. He also confirmed that he does not anticipate another devaluation, adding that he had consulted several enterprise managers on the subject. They confirmed to him that they regard a 10-percent devaluation as manageable.

The Slovak koruna's devaluation also prompted a comment from Ivan Kocarnik, the Czech finance minister. He said, "If this measure fails to bring improvement in the Slovak Republic's balance of payments, a further devaluation of the Slovak currency cannot be excluded." According to Kocarnik, the Slovak devaluation will have typical effects on the Czech Republic: Czech exporters will find smaller demand for their goods in Slovakia, while, on the other hand, the importation of Slovak goods will be cheaper.

#### \* Czech Reaction

93CH0827B Bratislava SME in Slovak 13 Jul 93 p 2

[Article by (SME-cs): "Back to the Starting Point"]

[Text] The 10-percent devaluation of Slovak currency caused the Czech side to cancel the 2-percent devaluation of its koruna vis-a-vis the clearing ECU [European Currency Unit], which it had to introduce on 5 March in consequence of the then revaluation of the Slovak koruna. Thus, the mutual balancing of payments between the CR [Czech Republic] and the SR [Slovak Republic] has returned to the level from which it started at the moment of separating the common currency. According to Martin Svehla, press secretary of the Czech National Bank (CNB), devaluation of the Slovak koruna was expected by the CNB as a measure by which Slovakia protects its foreign-currency reserves. In his opinion, the devaluation will become reflected in the trade between both countries.

The Czech side does not expect that after the devaluation Slovakia will abstain from introducing an import surcharge on goods imported from abroad. The SR already has all of the necessary permissions from international

institutions to impose an import surcharge. For now, the foreign countries, including the CR, are waiting to see in which way and when the SR decides to do so. If, in that connection, there is unconcealed talk in some CR banking circles that by imposing an import surcharge and introducing a 10-percent devaluation Slovakia actually devalued twice, there is nothing shocking in it.

#### \* Toth's Reaction

93CH0827C Bratislava SME in Slovak 14 Jul 93 pp 1-2

[Interview with Slovak Finance Minister Julius Toth by Alica Strbava: "Journalists, Concern Yourselves With Reviving the Economy"]

[Text] *Devaluation was announced on Friday, and we hear from many places that only a short time earlier the government, the Finance Ministry, and the National Bank of Slovakia [NBS] gave out very detailed explanations of why there would be no devaluation. At the present moment, many people view that as misleading and deceiving the population.*

[Strbava] What is your opinion?

[Toth] I would say that those are very incorrect conclusions. No one heard from me that there would be no devaluation or that it would come so quickly. I always maintained that, if it came to devaluation, certain conditions would have to be met. The NBS and the institutions that, together with the IMF, addressed those questions agreed on the principle of devaluation. That was announced, and the issue is hereby resolved.

[Strbava] But I recall a recitation of reasons according to which there should be no devaluation.

[Toth] Yes, in February. I agree with you.

[Strbava] No, I am thinking of the time right after the departure of the last IMF mission.

[Toth] You always make problems of things that do not belong in a national discussion. Devaluation is not a national problem; it is an economic problem and should therefore be left to those who decide on it. Yes, really, you always seek out in the press matters that have nothing in common with it.

[Strbava] That is surely debatable. Many would not agree with you just as I disagree with you, but...

[Toth] You can disagree; that's your problem. It is, I might say, healthy self-assurance when someone disagrees. He is fully entitled to do that, but my opinion is that the steps that have been taken are, on the whole, correct and that the National Bank decided in accordance with its powers.

[Strbava] But the information that became public knowledge is that the decision on devaluation was made as early as 17 June....

[Toth] Quite right.

## SLOVAKIA

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[Strbava] But all this time the public was being told that devaluation would not come during this period.

[Toth] Quite right. When they put it that way, they did the right thing. You journalists ought to concern yourselves with other matters—how to revive the economy rather than take pleasure in devaluation. You select problems that are not for discussion; you always seek out issues that are not for discussion. That the Czechoslovak Republic devalued the Czechoslovak koruna by whatever percent was a story you could read nothing about in the press except for two articles. Whatever goes on in Slovakia, your only problem is to look for reasons to make the issue beneficial to the public. There are issues of public benefit. If you discussed cleanliness in bus transport, cleanliness on trains, how to treat foreign guests who come to visit us, how we are ruining our own

economy by not having sufficiently assured proper care of foreigners who come to visit—that would be more interesting for the Slovak economy. But to conduct discussions on devaluation with every granny and every person, that is not an issue.

[Strbava] But that is not at all...

[Toth] Oh yes, it is because your paper is read by all others. You are stirring up...

[Strbava] They do have a right to be informed.

[Toth] That is not information; that is psychosis. Information is one thing, and psychology is another. I am of that opinion. You can record that. Information is when I announce, and psychology is when we are discussing it.

## Federal

### Law on Private Savings Firms Criticized

93BA1350A Belgrade BORBA in Serbo-Croatian  
24-25 Jul 93 p I

[Article by Misa Brkic: "The Fever With Account Money"]

[Text] Yesterday afternoon, a beggar was sitting among the street foreign exchange dealers on Revolution Boulevard across from Tasmajdan Park, and he could not get over it. He held out a shoe box which was literally crammed with a pile of dinars. There was almost no passerby who did not stop, pull out his wallet, and shake out from it onto the sidewalk a handful of worthless "reds," "Andrices," "girls," "boys," and "sunflowers." In just a short time, a layer of bank notes collected beneath the beggar's feet; it would have taken at least a 50-kg plastic bag to hold them.

All of this happened just three hours after the federal government announced that it had devalued the dinar and the day after the decision of the central monetary authority that it was throwing the national currency a life preserver by shutting down the private savings banks and exchange offices for three months. After all, as a former policeman, now dressed as a businessman thanks to a shiny summer suit, said a day earlier: These financial institutions are actually the true and sole culprits for galloping hyperinflation in our country. That was the beginning of fulfillment of the promise of another ex-police man of a final showdown with the "idiots in our ranks."

Does that category include the people who on Thursday afternoon emptied their pockets in great numbers in front of that beggar and thus unambiguously demonstrated what they thought about the quality of the national currency? The ordinary citizen is not for the present concerned where the government is going to put him, but he is only looking to withdraw that small savings of 10 or 20 marks [DM] which the National Bank took prisoner in an attempt to plug up the ever larger overdraft in its own current account with a transfer of account money.

The fever of using account money has been brutally interrupted with a therapy of which no law-governed state would boast. After all, the Law on Private Savings Banks and Currency Exchanges was adopted by the FRY Assembly, and the decision to close them by the Federal Government. But regardless of that legal-democratic trifle, if the effects of the treatment were favorable, anyone with any intelligence would overlook that "formality." The trouble, however, is that the fever of getting by from day to day is continuing to cause the immense majority of ordinary people to tremble. Asked to give a layman's comment on the most recent government rescue of the dinar, one man in the street said: "It's like plowing the ocean."

The days of June and July will be remembered for the disastrous loss of the dinar's value, the fear of the public and experts that the national currency will be entirely displaced from use, and anxiety about the terrible approach of the final, big crash. Many people these days are recalling Lenin's anthology sentence about "abolishing money as the last bourgeois category, one which is dangerous because it gives rise to individualism." Recently, the dinar has been losing half of its value with each passing day, and its devaluation and the closing of the private savings banks will save it under a bell jar wrapped in rosy cotton for no more than 10 to 15 days. On Wednesday and Thursday, when the "rescue operation" was performed, DM1 was worth 8 million dinars in the opinion of the government, but the actual (real) value of DM1 was 40 million dinars. That is inexorable econometric logic, which has calculated that the hibernating Yugoslav economy is worth precisely that much compared to the "rotten" German economy. And there is no kind of political alchemy here, because the national currency is worth just as much as the work done by the subjects of that country. And in Yugoslavia, with a population of 10 or 11 million, only 1.2 million are working, and that in the style of "whether you work or do not work, the radio is playing."

That is the anemic economic foundation on which perpetually hungry government has battened with its ambitious national program for supporting all the Serbs and importing petroleum, drugs, and arms. Those really to blame for hyperinflation are those who in past days have been shouting "Support the private currency exchange offices and the dealers." Today, they are cruising around Serbia in luxury automobiles (just where do they get the gasoline and with what do they buy it) offering "Program 50," invigoration of production in 50 large Serbian factories with money that will be printed in Topcider and for which there is no coverage in goods. These people, in turn, do not like the Yugoslav Government and are now threatening it with an ultimatum, and they are throwing sticks and stones at the former governor for not having printed enough dinars so that they could have robbed the population of the rest of the marks and dollars.

If he really wants to be a sincere fighter against inflation, Serbian Prime Minister Nikola Sainovic ought to answer the question of why, say, the decision to shut down the private savings banks and currency exchange offices was adopted precisely on Wednesday (21 July), not a day, week, or month earlier? How sincere he is in this intention of his (breaking hyperinflation) is evident from an ordinary coincidence—that Wednesday the announcement was made from a meeting of the Serbian Government that "the wheat harvest has been successfully completed." That is, the harvest is over, purchases were so-so, and the dinars from primary issue were spent to buy foreign exchange. Now is the time to shut down the savings banks and currency exchange offices.

The big job of the government, looting the foreign exchange, has still not been brought to its conclusion. In

Kragujevac, Sainovic does not conceal the intentions of the government: "Foreign exchange is our scarce commodity." In a few days, the monetary commissars will rush into Interplast Trejd, Kameleon, Boksit Trejd, Ristic, Agens, and Alfa and confiscate all the marks and dollars for needs of the government on the basis of receipts for the foreign exchange received, paid for with account money. Even that, however, is not the end. Then it will be the turn of the firms and enterprises which have also been buying foreign exchange on the black market and storing it in bank safe deposit boxes (not in foreign exchange accounts). The government will steal that too, and then comes the great finale—confiscation of the banks.

All those who have been plundered will get a consolation prize: railroad cars of newly printed dinars, which Sainovic is promising under the slogan of invigorating production. And where are the street dealers in this? No sooner did the people begin to hope that Mihalj Kertes had destroyed them, than yesterday the street "idiots" were at Slavija in Belgrade and at Beogradjanka with a bank note of 50 million dinars in their hands. Yet the trucks had just transported the newly printed bank note from Topcider to the "strictly" guarded vaults of the National Bank of Serbia.

It looks bad for the dinar, regardless of this artificial respiration in July. It will die insulted and injured by the government, which it served so faithfully and will be replaced by outright barter. Democracy and a law-governed state do not go with that kind of economy at all. For that matter, Dostoyevsky once said: Money is minted freedom. Perhaps soon we will pay for it with our heads instead of with dinars.

### Serbia

#### Economic, Social Agony Continues

93BA1344C Ljubljana DELO in Slovene 29 Jul 93 p 20

[Article by Slobodan Dukic: "The Serbian Authorities Are Asking Citizens for Help"]

[Text] *The government has asked people to report cheaters who hide goods in warehouses and thus introduce dual prices; more and more rats in the cities.*

From our correspondent:

Belgrade, 28 Jul—Today the Serbian authorities asked citizens to help them. People are supposed to report cheaters who hide goods in warehouses and garages, and introduce dual prices—one set of prices for payment in cash and others for payment by check. The state thereby admitted that it was helpless. The inspectors who have been [word indistinct] in Serbian cities warn that their fines are only a drop in the bucket.

The latest report from a certain state inspector also bears witness to the kind of frauds involved. At a large and prominent commercial firm, in addition to other goods

hidden in a secret place, he also found 258,000 boxes of cigarettes. Today's newspapers point out that this is real war profiteering, and at the same time demand that the name of the enterprise and its managers be published. The authorities have not done so. They probably had a lot of reasons for this, since smokers, if they found out the name of the cigarette smuggler, would certainly demand that he be lynched or publicly burnt. The shortage of cigarettes is so great that there may be a real explosion of anger at any moment. People would take as their target not only the tobacco merchants, but also the self-service shops and all other enterprises where cigarettes are sold. This morning, on Terazije in the middle of Belgrade policemen had to supervise a long line in front of a tobacco shop, because it seemed that there would be fighting, and tomorrow the police will also have to be sent in front of stores where bread is sold. Yesterday evening, police units in Vojvodina dispersed farmers who had blockaded roads because the purchase prices for wheat were too low, but the farmers announced that they would participate in the general workers' strike announced for 5 August.

The workers were called to strike by the Independent Trade Union of Serbia, which was also joined later by other trade union headquarters of the "independents." They are demanding that their members also participate in organizing the strike, and otherwise the union action has also been supported by the federal trade union. In a letter to Serbian-Montenegrin Prime Minister Kontic, the Council of the Federation of Independent Trade Unions of Yugoslavia warned that they would organize a general strike, unless a balance was ensured as soon as possible between prices of necessary products and services, and the buying power of wages and pensions. If the economic and social agony continued, there would be a general social catastrophe, the letter said, among other things.

The federal prime minister shut himself up in his office, along with the prime ministers of Serbia and Montenegro, the governor of the central bank, and several ministers. We should find out today what they decided during their several hours of discussion, when the newly appointed governor of the central bank, Borislav Atanackovic, is to speak with reporters. Individual ministers are also to speak with reporters. They are to inform the public about measures in regard to the price freeze of basic necessities.

Yesterday, we wrote about the kind of prices that probably do not exist anywhere else in the world. We read in today's newspapers that the head of the Belgrade office of the Neven cosmetics products factory in Leskovac could not believe his eyes when he saw that a tube of tooth paste that the factory sold to a store for somewhat more than a million dinars cost 70-100 million dinars. The merchants told the inspectors that the quoted cost was the November price, and that it also included the value of the market at the black market exchange rate, which amounted to an additional 25-40 million dinars. One can rest assured that everything is moving in that

direction. This morning it was necessary to pay 12 million dinars for a mark, and tomorrow it will reportedly be worth 15 million. That is almost twice as much as the recently declared official exchange rate, according to which one mark was worth 8 million Yugoslav dinars.

We talked with ordinary people, state officials, and businessmen, and everything indicates that people in

Serbia will soon live not from today until tomorrow, but rather from today until today. In Lajkovac, people are still afraid for the life of a nine-month-old child who was attacked in his cradle by rats. The doctors say that there have been several such cases, and that rats gnawed one girl's palm, and another's finger. In Belgrade alone, there are about 100 rats for every inhabitant.

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